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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 9 - PAGES 1560 - 1823

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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WITNESS:	PAGE
CHRISTIAN C. RICHARD	
Examination by Ms. Ponder	1563
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Prefiled Rebuttal Testimony inserted	1636
Examination by Mr. Rehwinkel	1657

1 P R O C E E D I N G S

2 (Transcript follows in sequence from Volume
3 8.)

4 CHAIRMAN FAY: Okay. All right. Mr. Wahlen,
5 your witness when you are ready.

6 MS. PONDER: We call Mr. Richard.

7 Whereupon,

8 CHRISTIAN C. RICHARD

9 was called as a witness, having been first duly sworn to
10 speak the truth, the whole truth, and nothing but the
11 truth, was examined and testified as follows:

12 EXAMINATION

13 BY MS. PONDER:

14 Q Would you please state your full name for the
15 record?

16 A Yes. My name is Christian Richard.

17 Q Have you been sworn?

18 A I have.

19 Q Okay. Who is your current employer and what
20 is your business address?

21 A My current employer is Peoples Gas. My
22 current address is 702 North Franklin Street in Tampa,
23 Florida, 33602.

24 Q Did you prepare and cause to be filed in this
25 docket on April 4th prepared direct testimony consisting

1 of 67 pages?

2 A I have.

3 Q Did you prepare and cause to be filed in this
4 docket on July 30 prepared rebuttal testimony consisting
5 of 18 pages?

6 A I did.

7 Q And did you prepare and cause to be filed
8 revisions to pages 13 and -- excuse me, pages nine, 13
9 and 14 of your rebuttal testimony on August 4th?

10 A Yes.

11 Q Other than the revisions filed on August 4th,
12 do you have any additions or corrections to your
13 prepared direct or rebuttal testimony?

14 A I do not.

15 Q With the revisions to your rebuttal testimony
16 filed on August 4, if I were to ask you the questions
17 contained in your prepared direct and rebuttal testimony
18 today, would your answers be the same as those contained
19 therein?

20 A Yes, they would.

21 Q Okay.

22 MS. PONDER: Mr. Chairman, Peoples' requests
23 that the prepared direct and rebuttal testimony of
24 Mr. Richard be inserted into the record as though
25 read.

1 CHAIRMAN FAY: Okay. Show it inserted s
2 though read.

3 (Whereupon, prefiled direct testimony of
4 Christian C. Richard was inserted.)

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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
CHRISTIAN C. RICHARD

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

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OF
CHRISTIAN C. RICHARD

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

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **PREPARED DIRECT TESTIMONY**

3 **OF**

4 **CHRISTIAN C. RICHARD**

5
6 **POSITION, QUALIFICATIONS AND PURPOSE**

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

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

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

17
18 **A.** I am responsible for (1) the design, engineering and
19 construction of the company's transmission and distribution
20 facilities; (2) the company's supply chain management; and
21 (3) information technology ("IT") oversight. I am also
22 responsible for developing annual capital and operating
23 budgets for the ECT area.

1 Q. Please summarize your educational background and business
2 experience.

3
4 A. I graduated from the University of New Brunswick (New
5 Brunswick, Canada) with a bachelor's degree in engineering in
6 2000 and earned a master's degree in business administration
7 ("MBA") from l'Université de Moncton (New Brunswick, Canada)
8 in 2003.

9
10 I have worked in the utility industry for over 15 years, with
11 seven at an electric utility in New Brunswick, Canada, and
12 eight years in the natural gas sector. I served as General
13 Manager of Emera Brunswick Pipeline in New Brunswick, Canada,
14 and was on the Management Committees of Maritimes and
15 Northeast Pipeline United States and Maritimes and Northeast
16 Pipeline Canada. My work experience also includes managing
17 industrial operations in the forestry sector (sawmills) and
18 the tidal energy sector. I joined Peoples in 2019 as its Vice
19 President-Strategy and assumed my current position in 2022.

20
21 Q. Please describe the company's ECT team.

22
23 A. Peoples' ECT team consisted of 150 team members as of December
24 31, 2022 and is expected to grow to 191 by December 31, 2024.
25 I will discuss the reasons behind the growth of the ECT team

1 later in my direct testimony.

2

3 As of December 31, 2022, 146 members of the ECT team were
4 dedicated to designing, engineering, and constructing gas
5 infrastructure and related activities. These activities
6 include maintaining the company's "as built" construction
7 records and its Geographic Information System ("GIS"),
8 integrity management, codes and standards, and gas control,
9 measurement, and regulation.

10

11 Three team members currently focus on supply chain management
12 and this team needs to expand to eight by the end of 2023.
13 The supply chain management team oversees the company's
14 procurement process and applies supply chain principles to
15 business processes. Additionally, this team ensures that the
16 company's supply chain principles are followed by outside
17 service providers or contractors working for the company. I
18 discuss specific supply chain management approaches and the
19 drivers for the team expansion later in my direct testimony.

20

21 One member of the company's ECT team focuses on IT and serves
22 as a liaison between Peoples and its shared services provider,
23 Tampa Electric Company ("Tampa Electric"), for IT related
24 activities.

25

1 The ECT team works closely with both the residential and small
2 commercial team and the gas supply and development team.
3 Together we design, engineer, and construct distribution
4 facilities to serve the growing demand from the company's
5 customers. My team also collaborates with the gas operations
6 and safety teams to ensure that the company's system complies
7 with federal and state safety requirements. The ECT and gas
8 operations teams work to identify and mitigate risk across
9 the company's transmission and distribution system while
10 ensuring reliability, resiliency, and efficiency ("RRE").

11

12 **Q.** What role does safety play at Peoples?

13

14 **A.** The safety of Peoples' team members, contractors, customers,
15 and the public is paramount. As the largest local gas
16 distribution company ("LDC") in the state, Peoples seeks to
17 set the standard for LDCs in Florida and beyond. Peoples seeks
18 to lead by example with safety, compliance, and reliable
19 operations with a sharp focus on customer service. Peoples
20 expects its outside contractors adhere to the company's
21 safety standards and devotes resources to ensure that
22 happens.

23

24 Peoples' approach to safety is founded on its Pipeline Safety
25 Management System ("PSMS"), which is based on the American

1 Petroleum Institute's (API) Recommended Practice 1173. The
2 PSMS' 10 elements encompass all facets of safety management
3 for the company's business and promote continuous improvement
4 through a plan, do, check, and act cycle.

5
6 Peoples' witness Timothy O'Connor will discuss the company's
7 efforts to operate safely in his direct testimony. I will
8 discuss ECT's Contract Business Partner Safety Program later
9 in my testimony.

10
11 **Q.** What are the purposes of your prepared direct testimony in
12 this proceeding?

13
14 **A.** The purposes of my direct testimony are to:

15 (1) Explain how the ECT group works with other areas of the
16 company to prudently expand the company's distribution
17 system;

18 (2) Describe the company's supply chain management system
19 and how that system enables the company to procure goods and
20 services at the lowest reasonable cost and greatest value;

21 (3) Explain how Peoples works with Tampa Electric to deliver
22 IT solutions;

23 (4) Describe the capital budgeting and forecasting processes
24 in place in the ECT area and how those feed into the company's
25 overall financial forecasting process;

1 (5) Discuss the residential and small commercial, RRE,
2 legacy pipe, and technology capital projects undertaken by
3 the company since its last general base rate proceeding and
4 why they are prudent; and

5 (6) Demonstrate that the level of ECT operations and
6 maintenance ("O&M") expenses in the company's 2024 projected
7 test year is reasonable and prudent.

8
9 **Q.** Did you prepare an exhibit to support your prepared direct
10 testimony?

11
12 **A.** Yes. Exhibit No. CCR-1, entitled "Exhibit of Christian C.
13 Richard," was prepared under my direction and supervision and
14 accompanies my prepared direct testimony. The contents of my
15 exhibit and the MFR schedules referenced in them were derived
16 from the business records of the company and are true and
17 correct to the best of my knowledge and belief. My exhibit
18 consists of the following documents:

19
20 Document No. 1 List of Minimum Filing Requirement
21 Schedules Sponsored or Co-sponsored by
22 Christian C. Richard
23 Document No. 2 Residential and Small Commercial Capital
24 Spending 2022 to 2024
25 Document No. 3 Work and Asset Management System ("WAM")

1		Components and Cost
2	Document No. 4	IT Project Costs
3	Document No. 5	Major IT Project Descriptions
4		

5 **DISTRIBUTION SYSTEM EXPANSION AND IMPROVEMENTS**

6 **Q.** How does the company identify areas where it needs to expand
7 its gas distribution infrastructure?

8
9 **A.** The company identifies the need to expand Peoples' gas
10 distribution system in two ways. First, the company and its
11 sales team collaborate with large residential developers to
12 understand and anticipate potential areas of growth. This
13 collaboration allows the company to plan where, when, and how
14 to expand its gas distribution facilities to meet expected
15 demand from residential and small commercial customers.
16 Second, the company's Gas Supply and Development team works
17 with large commercial and industrial customers, and companies
18 seeking alternative energy solutions, to plan for and meet
19 the demand in these market segments.

20
21 **Q.** How does Peoples identify the need to improve its distribution
22 system?

23
24 **A.** The company identifies the need to improve the RRE of its
25 distribution system on both a day-to-day and long-term

1 planning basis. The Gas Operations and ECT team members (gas
2 control and technical services) work closely to identify
3 facilities in need of replacement and improvement to maintain
4 the safe and reliable operation of the system. Together these
5 teams plan and achieve replacements and upgrades, as
6 necessary.

7
8 The ECT team uses a long-term and risk-based systems planning
9 view to identify larger RRE projects by evaluating system
10 pressures, locating reliability issues and concerns, and
11 forecasting growth through system modeling. RRE projects are
12 primarily designed to enhance the safety and reliability of
13 the natural gas supply to customers. These projects include
14 activities to maintain adequate pressure or flows and ensure
15 the availability of a primary and secondary feed of supply.
16 RRE projects also include construction activities related to
17 mandatory municipal relocation activities.

18
19 **Q.** Please describe the principles that guide the investments the
20 company makes to improve the RRE of its systems.

21
22 **A.** When evaluating potential RRE capital projects, the ECT team
23 focuses on: (1) ensuring the safe and reliable operations
24 that customers expect, (2) being effective and efficient in
25 the design and engineering of pipeline infrastructure, and

1 (3) constructing pipeline facilities to deliver value to
2 customers.

3
4 The company includes safety and reliability considerations in
5 all aspects of engineering, construction and technology from
6 the design and engineering stage to ongoing integrity
7 management. For example, the ECT team continuously evaluates
8 and integrates new construction codes and standards into the
9 company's practices. This allows the company to construct and
10 place new facilities in service using the latest and safest
11 construction practices. This approach facilitates the
12 company's compliance with evolving Pipeline and Hazardous
13 Materials Safety Administration ("PHMSA") and Florida Public
14 Service Commission ("Commission") engineering and
15 construction requirements. The company's Codes and Standards
16 group evaluates and approves the materials used by the company
17 to provide service.

18
19 **Q.** Do the company's engineering, design and construction
20 practices vary depending on whether the project is classified
21 as a growth or RRE project?

22
23 **A.** No. The company builds projects using safe practices and in
24 a cost-effective manner - no matter the size or purpose. This
25 practice extends to contractors used by the company for any

1 project. The size, purpose, and complexity of a project
2 determine whether a project is considered growth or RRE.

3
4 The company uses standard design, engineering and
5 construction practices for its routine operational projects
6 such as small pipeline and lateral extension projects or
7 simple equipment changeouts. These routine projects are
8 performed by the company's team members or outside
9 contractors.

10
11 The projects advanced by the Gas Supply and Development team
12 are typically driven by a customer's specific needs and are
13 larger in scale and more complex. Typically, only a few of
14 these types of projects are active at any given time. The
15 company uses a team of professional project managers to
16 design, engineer and construct these projects. The company
17 uses the same project management approach for large RRE
18 projects.

19
20 **Q.** What other processes and controls does Peoples use for large
21 growth and RRE projects?

22
23 **A.** The company uses more governance, controls and rigor in design
24 and construction for the higher dollar value, large growth,
25 and RRE projects.

1 The company applies a class design estimate process and
2 decision stage-gate approach for larger projects. Classes are
3 ranked from Five to One. As you proceed from Five towards
4 One, each class involves more specificity for the design,
5 engineering, and cost estimate for the project. The (-/+)
6 percentage for each class, is the margin of error in price
7 estimating that considers past similar projects while
8 incorporating the lack of design of the project being scoped.
9 Design and engineering for large projects begins with a Class
10 Five estimate (-70/+90 percent) and, if project economics
11 continue to meet the requirements, design, and engineering
12 advances to a Class Four (-45/+55 percent), Class Three (-
13 30/+40 percent), Class Two (-25/+30 percent), and eventually
14 a Class One estimate (-10/+10 percent), provided all decision
15 stage-gate requirements have been met. A Class One design
16 includes construction drawings, firm pricing and schedules
17 and makes a project ready for construction.

18
19 I will describe the system of management approvals the company
20 applies before beginning construction later in my direct
21 testimony.

22
23 **Q.** How does the company procure the materials, supplies, and
24 contractor support to construct its routine and large
25 projects?

1 **A.** The company uses supply chain management practices for all
2 system growth, RRE projects, and legacy pipe replacement
3 projects described later in my direct testimony. Doing so
4 enables the company to grow and improve the RRE of its
5 distribution infrastructure, and replace legacy pipe, in a
6 safe and efficient manner and at the lowest reasonable cost
7 to the company and its customers.

8
9 **Q.** How does the company apply technology to the assets it
10 constructs to promote safety, RRE?

11
12 **A.** Peoples uses technology to monitor and protect the integrity
13 of its distribution system so it can provide safe and reliable
14 gas to its customers and protect the public.

15
16 PHMSA imposes requirements for asset traceability, asset
17 tracking, mapping, and system monitoring, all of which
18 influence how the company applies technology and the costs of
19 engineering, designing, constructing, and operating its
20 systems.

21
22 Once pipeline assets are placed into service, Peoples uses
23 state-of-the-art barcode tagging and GPS Technologies to
24 capture as-built information. This information is loaded
25 directly into the company's GIS systems to ensure accurate

1 and up-to-date maps and records of assets are maintained.
2 Accurate and timely updates to maps and records promote
3 effective and efficient system operation and maintenance,
4 enable the company to locate its facilities quickly and
5 efficiently, and facilitate routine and emergency repairs.

6
7 The company's Gas Control team uses advanced information
8 technology including its Supervisory Control and Data
9 Acquisition ("SCADA") system to monitor the operating status
10 of the company's gate stations and compressor operations 24
11 hours a day and 365 days a year.

12
13 The company's new Work and Asset Management system ("WAM")
14 will increase productivity, efficiency, and safety by
15 centralizing work in one system. It will also digitalize and
16 standardize manual processes while providing data and process
17 support to enable the company to optimize the efforts of its
18 operations workforce. WAM is described in greater detail
19 later in my direct testimony.

20
21 **Q.** What role does inspection play during construction
22 activities?

23
24 **A.** Peoples uses internal and contracted construction inspectors
25 throughout the construction process on both large

1 (transmission projects) and high-volume work (new services)
2 to ensure construction practices are followed.

3
4 **SUPPLY CHAIN MANAGEMENT**

5 **Q.** What does the term "supply chain management" mean to Peoples?

6
7 **A.** Supply chain management is the active management of supply
8 chain activities to maximize value and support the safe and
9 reliable provision of gas services to the company's
10 customers. It is a way of managing company procurement of
11 goods and services and applies principles to business
12 processes to promote efficiency, manage or reduce costs and
13 avoid supply disruptions.

14
15 **Q.** How has the company historically supported its supply chain
16 activities?

17
18 **A.** Peoples' supply chain activities have historically been
19 supported entirely by the company's affiliate, Tampa
20 Electric, as a shared service. Effective January 1, 2023,
21 Peoples established its supply change management group within
22 the ECT area with three team members. It is necessary to
23 expand to a team of eight by the end of 2023 to enable
24 strategic sourcing of materials and services, provide
25 inventory management functions, and impose governance

1 procedures and controls on all aspects of the company's supply
2 chain system.

3
4 **Q.** Why did the company establish its supply chain management
5 team?

6
7 **A.** Although Tampa Electric has done a good job over the years
8 supporting Peoples' supply chain needs, Peoples chose to
9 establish its own dedicated supply chain management team for
10 the following reasons.

11
12 First, as Peoples' witness Helen J. Wesley explains in her
13 prepared direct testimony, Florida is growing at a remarkable
14 pace and Peoples is growing with it. As a result, Peoples
15 must: (1) invest in new mains, laterals, service lines and
16 meters; (2) hire team members to operate and maintain a
17 growing system; and (3) spend money building, upgrading, and
18 relocating the company's gas distribution infrastructure to
19 accommodate public infrastructure construction. Peoples'
20 growth challenged Tampa Electric's ability to keep pace with
21 the company's supply chain needs.

22
23 Second, the company's supply chain needs are different than
24 Tampa Electric's. Not only do the two companies operate in
25 different geographic areas of Florida, but also in different

1 segments of the utility industry, which means they procure
2 different types of materials, supplies and services. Peoples
3 has key suppliers that were not critical to Tampa Electric
4 and needed to enhance its communications, coordination and
5 working relationship with these suppliers. One example was
6 the need to apply the company's unique gas safety standards
7 to its outside contractors.

8
9 In working with Tampa Electric, Peoples identified two
10 options, namely: (1) Tampa Electric could modify and enhance
11 its supply chain operations to address Peoples' growing and
12 specific needs or (2) Peoples could establish its own supply
13 chain management system. After careful analysis, and to
14 enable Peoples to continue to grow and meet customer demand
15 in the most cost-effective manner, Peoples concluded that
16 establishing its own supply chain management operation was
17 the best option. The company views this move as part of
18 Peoples' natural evolution as described in witness Wesley's
19 direct testimony.

20
21 **Q.** What supply chain management functions will Peoples perform
22 with its new supply chain management team?

23
24 **A.** As previously stated, the expansion of the supply chain
25 management team to eight team members will enable the company

1 to implement several key processes and best practices, such
2 as Category Management, Strategic Sourcing, Total Cost of
3 Ownership and Contractor and Supplier Relationship
4 Management. Transaction-intensive functions like Procure-to-
5 Pay, Master Data and Contractor Lifecycle Management will
6 continue to be provided by Tampa Electric. Its efforts will
7 help optimize the company's capital spending and stewardship
8 of IT resources, which is increasingly important to safe,
9 reliable, and efficient gas operations.

10
11 **Q.** Did Peoples perform a cost-benefit or other business analysis
12 showing that it is prudent for the company to establish its
13 own supply chain management team?

14
15 **A.** Yes. Utilizing a third-party supply chain consulting firm to
16 develop the strategy and business case, the company concluded
17 having its own supply chain management team was most cost
18 effective. The value comes from using supply chain best
19 practices: governance, systems, and processes; contracting;
20 total cost of ownership; strategic sourcing; category
21 management; and supplier relationship management. Peoples
22 will still utilize Tampa Electric's procure-to-pay software
23 system, as well as the shared services provided by Tampa
24 Electric. The new Supply Chain Management function will
25 deliver benefits to the company's customers by maintaining or

1 reducing costs for new construction and cultivating supplier
2 relationships to ensure that projects are done on time and
3 are ready for service within the timeline promised.

4
5 **Q.** What supply chain challenges has the company experienced
6 since its last general base rate proceeding?

7
8 **A.** Global supply chain issues and inflation have not spared the
9 natural gas industry. Peoples has experienced upward cost
10 pressure on materials and labor, shortages of gas meters and
11 higher prices for pipeline materials. The cost to the company
12 of polyethylene (plastic) pipe increased 23 percent and the
13 cost of steel pipe increased by 165 percent from 2020 to 2022.

14
15 The company's contractors who rely on labor to perform
16 services are experiencing the same labor pressures Peoples is
17 experiencing for its internal labor. Those pressures are
18 discussed in the prepared direct testimonies of Peoples'
19 witnesses Donna L. Bluestone and O'Connor and include: (1)
20 general labor market disruptions seen by most industries; (2)
21 changing workforce demographics; and (3) the relative newness
22 and small size of the natural gas industry and the resulting
23 lack of workers in Florida with natural gas experience. These
24 factors make it challenging to recruit skilled talent,
25 require companies to spend more time and money to train

1 inexperienced workers when experienced workers are not
2 available to hire and are causing upward pressure on
3 contractor labor rates.

4
5 The company's new supply chain management team is working
6 diligently to mitigate price increase pressures when
7 contracting for services; however, applying best practices
8 and its diligent efforts may not be sufficient to completely
9 overcome the impacts of rising labor market costs.

10
11 **Q.** What specific supply chain management practices does the
12 company use to ensure that the materials, supplies and
13 services that it uses to serve its customers are procured at
14 the lowest reasonable total cost of ownership?

15
16 **A.** The company's supply chain management team is focused on
17 strategic sourcing, contracting, inventory management and
18 supply chain governance to ensure materials and supplies are
19 contracted to provide the best value for Peoples' customers.

20
21 The company is developing and enhancing its uniform material
22 standards to reduce the different number of items it must
23 purchase and maintain in inventory. This includes the
24 management of more efficient inventory levels across its 14
25 service areas.

1 Peoples competitively bids management of its consolidated
2 material inventory and supply through a centralized material
3 management firm, Vendor Managed Inventory. This approach
4 allows the company to secure necessary construction material
5 resources at pre-established competitive prices.

6
7 The supply chain management team uses competitive sourcing
8 and competitive bidding to procure materials and supplies not
9 normally maintained in inventory and construction services.
10 It is also strengthening its controls over reviewing,
11 approving, and paying vendor invoices. These controls ensure
12 that vendor invoices do not include negative penalties and
13 that the company gets the full benefits of rebates and
14 incentives that are generally available or specified in the
15 company's contracts.

16
17 **INFORMATION TECHNOLOGY**

18 **Q.** What general principles guide the company's use of IT in its
19 operations?

20
21 **A.** Peoples' digitization pursuits include continuous improvement
22 of safety, asset management, business processes and customer
23 experience. Peoples believes the continued investment in
24 technology, such as WAM, will directly serve the company's
25 customers by delivering efficiencies, risk management and

1 enhanced customer service experiences. The partnership
2 between the company's IT shared services provider (Tampa
3 Electric) and the Peoples' operation team ensures that the
4 digital and technology investments align with Peoples'
5 strategic objectives.

6
7 **Q.** How does Peoples obtain IT services?

8
9 **A.** As mentioned previously, Peoples receives most of its IT
10 services on a shared service basis from Tampa Electric, but
11 on limited occasions the company has contracted with third-
12 party vendors for specific, Peoples-focused applications.

13
14 **Q.** What IT services does Tampa Electric provide to Peoples?

15
16 **A.** Tampa Electric provides two general categories of IT services
17 to Peoples.

18
19 The first category can be considered "common" IT services
20 because the same services are provided to both Peoples and
21 Tampa Electric. These services include cybersecurity; IT
22 strategy and leadership; enterprise desktop support; service
23 desk and access administration; application development and
24 support; IT project management; IT infrastructure services
25 (computers, storage, networking, and telecommunications);

1 enterprise resource planning suite support; customer
2 relationship management and billing suite support; IT asset
3 and vendor management; and IT compliance.

4
5 The second category includes procuring or developing and
6 operating Peoples-specific applications the company needs to
7 provide safe and reliable services to its customers. Examples
8 include the company's SCADA system, GIS, MobileGuard and WAM
9 systems that are discussed later in my direct testimony. All
10 these technologies are linked to pipeline safety and
11 compliance, and will promote public safety, efficiency, and
12 environmental stewardship.

13
14 The costs of both categories are directly charged or allocated
15 by Tampa Electric to Peoples according to the company's
16 intercompany agreement. For some of the common services
17 provided by older, legacy systems, Tampa Electric charges
18 Peoples a user fee that covers the capital and O&M expenses
19 associated with the service. For common services provided by
20 newer systems, Tampa Electric incurs the capital and O&M
21 expenses to build or buy, and operate, maintain, and upgrade
22 the system, and allocates a percentage of the related capital
23 and O&M expenses to Peoples. Peoples is charged all the
24 capital and O&M expenses when Tampa Electric provides a
25 Peoples-specific application.

1 Q. Please describe the working relationship between Peoples and
2 Tampa Electric for IT services.

3
4 A. Tampa Electric has a sophisticated IT organization that
5 provides the backbone for all common and company-specific IT
6 applications to Peoples and Tampa Electric. Within its IT
7 organization, Tampa Electric has eight team members who are
8 dedicated to meeting the IT needs of Peoples. These team
9 members treat Peoples as a client and coordinate their efforts
10 with Peoples through a member of the company's ECT team, who
11 serves as the Peoples IT liaison to Tampa Electric, and the
12 company's Technology Strategy Council ("TSC"). In addition to
13 these eight team members, Tampa Electric's IT organization
14 also provides overarching team member support across all
15 affiliates including Peoples, which the company and its
16 customers benefit from as part of the company's shared service
17 agreement.

18
19 Q. What role does cybersecurity play in the company's IT
20 operations?

21
22 A. Peoples takes cybersecurity concerns and threats very
23 seriously. The company has a comprehensive cybersecurity
24 program to address its due diligence efforts in this area.
25 Tampa Electric has 13 full time cybersecurity team members

1 dedicated to protecting IT infrastructure that Peoples shares
2 as part of the affiliate shared service model. They follow
3 the National Institute of Standards and Technology ("NIST")
4 prescribed best-practice functions of identify, protect,
5 detect, respond, and recover. Using a defense-in-depth
6 methodology, the program uses a combination of best-of-class
7 technology tools and best practice processes to provide
8 around-the-clock protection and response to the thousands of
9 daily intrusion attempts at the company. The company also
10 implements an IT culture of security, ensures that
11 cybersecurity risks are considered for all services that IT
12 delivers, and embeds risk mitigations into the service
13 delivery.

14
15 **Q.** What is the Technology Strategy Council ("TSC") and what role
16 does it serve for Peoples?

17
18 **A.** Peoples implemented the TSC to guide formal governance and
19 value-driven decision-making for technology investments and
20 is developing a technology strategy for all Peoples
21 technologies, both IT and Operations Technology ("OT"). It
22 consists of Peoples team members from multiple business
23 functions, including finance, gas operations, safety,
24 regulatory, and technology.

25

1 Peoples invests in technology that enhances safety, increases
2 efficiency, and increases customer value.

3
4 The TSC: (1) reviews technology project proposals; (2)
5 evaluates the risks and business/customer value of proposed
6 projects; (3) determines if the need to be met by a proposed
7 project can be met with existing IT or OT resources; (4) works
8 with Tampa Electric's IT team on project and resource
9 prioritizations and implementations; (5) provides oversight
10 on technology capital and O&M spending; and (6) evaluates
11 completed projects to confirm desired results were achieved.

12
13 The TSC's primary goal is to ensure that Peoples continues to
14 invest in value-based technology solutions and team members
15 that enable the business, meet the needs of Peoples'
16 customers, center on value proposed and realized, and support
17 current and future technological capabilities.

18
19 The company's 2022 actual and budgeted 2023 and 2024 capital,
20 including key projects, and O&M spending for technology is
21 described later in my direct testimony.

22
23 **CAPITAL BUDGETING AND FORECASTING**

24 **Q.** How does the company classify capital projects for internal
25 purposes and capital budgeting?

1 **A.** The company classifies capital projects into three groups:
2 (1) growth projects; (2) RRE projects; and (3) legacy pipe
3 replacement projects. Technology projects are considered RRE
4 projects.

5
6 I have previously described how Peoples identifies the need
7 for growth and RRE projects. The legacy pipe program is
8 addressed later in my direct testimony.

9
10 Many larger-scale capital projects have elements of both
11 growth and system sustainability features. All infrastructure
12 expansion and RRE projects consider the company's short and
13 long-term capacity needs. Proper planning ensures that
14 projects are developed and constructed in a timely and cost-
15 effective manner.

16
17 **Q.** How much does Peoples expect to invest in each of these
18 categories from January 1, 2022, to December 31, 2024?

19
20 **A.** As stated in the prepared direct testimony of company witness
21 Rachel B. Parsons, the company expects to invest a total of
22 approximately \$1.1 billion from January 1, 2022, to December
23 31, 2024, in the following ways:
24 (1) \$600.8 million to support customer growth and
25 environmental sustainability, of which \$150 to \$160 million

1 is attributable to major, customer-specific projects;
2 (2) \$404.4 million to enhance RRE; and (3) \$79.5 million
3 to replace legacy pipe.

4
5 **Q.** Which company witnesses will explain why these levels of
6 capital spending and rate base growth are prudent and should
7 be included in rate base for the 2024 projected test year?

8
9 **A.** The capital spending is split as follows among Peoples'
10 witnesses:

11 1. Witness O'Connor will explain \$144.5 million of RRE
12 projects.

13 2. Witness Lew Rutkin, Jr. will explain \$131.2 million of
14 growth projects.

15 3. Witness Karen K. Sparkman will explain \$10.5 million of
16 RRE projects.

17 4. I will explain \$469.6 million of growth projects, \$249.4
18 million of RRE projects and \$79.5 million of legacy pipe
19 projects. I will also describe the capital budgeting process
20 applicable to all infrastructure projects.

21
22 **Q.** Are natural gas system construction costs increasing, and if
23 so, why?

24
25 **A.** Yes, the cost to construct distribution system projects has

1 increased since the company's last general base rate
2 proceeding and is expected to continue increasing due to: (1)
3 higher material costs; (2) strong industry demand for
4 external contractors; (3) governmental, regulatory and
5 compliance requirements, including permitting and
6 maintenance of traffic requirements; (4) higher costs to
7 retire, remove and restore existing plant; and (5) new
8 construction safety protocols and enhanced construction
9 management, inspection, and quality control activities.

10
11 Additionally, new federal regulations issued by PHMSA, and
12 other Transportation Safety Administration ("TSA")
13 requirements have increased the costs of building, operating,
14 and maintaining new facilities and in some cases have required
15 the company to improve existing facilities. The PHMSA
16 regulation, known as the "Mega Rule," is intended to improve
17 pipeline safety by reducing the frequency of pipeline
18 failures. The new TSA rules include enhanced cybersecurity
19 and physical security requirements for pipeline owners and
20 operators. These safety and reliability requirements, and
21 others, have and will continue to increase the costs of
22 constructing new plant, improving existing plant and
23 operating and maintaining the company's distribution system.

24
25 Q. What challenges has the company experienced in recruiting new

1 team members and outside contractors for its construction
2 projects?

3
4 **A.** The company's recruitment efforts have been challenged by a
5 very active labor market, especially for technical resources
6 such as engineers, project managers, and other industry
7 specialists. Recruitment for highly technical positions
8 typically requires more time to fill and requires Peoples to
9 recruit out of state, which means the company must compete on
10 salaries with external markets. This puts upward pressure on
11 labor costs. Hiring experienced and technically trained
12 experts directly impacts the safety and reliability of
13 Peoples' gas distribution system.

14
15 Peoples has mitigated its labor market risks for construction
16 projects through long-term contracts with national
17 contractors for new services. However, the company's
18 construction contract partners have shared with Peoples that
19 attracting and retaining labor has been challenging. This has
20 forced them to increase labor rates, which impacts Peoples
21 when contracts expire. Others have requested labor rate
22 increases during the term of a contract.

23
24 The same issue materializes differently for construction
25 contractors working on larger projects. These contractors bid

1 for larger projects on a project-by-project basis, typically
2 travel nationally or regionally for these types of projects,
3 have access to a broader labor market, and reflect national
4 and regional labor market rates in their bids. Peoples
5 considers these labor challenges when it evaluates the
6 business case for potential construction projects.

7
8 **Q.** How did Peoples develop its capital budget for 2023 and the
9 2024 projected test year?

10
11 **A.** The process differs depending on the size and type of the
12 project. Projects designed to serve anticipated new
13 residential and small commercial customers are budgeted
14 differently than large customer and RRE projects.

15
16 **Q.** How does the company budget for growth in residential and
17 small commercial customers?

18
19 **A.** The company budgets the capital costs for the mains, services,
20 meters, regulators, and equipment needed to serve anticipated
21 new residential and small commercial customers by considering
22 the level of anticipated demand identified by its residential
23 and small commercial team as well as customer forecasts
24 provided by external parties such as company witness Eric
25 Fox's customer forecast for 2023 and 2024. The company

1 considers estimates of labor and material price increases and
2 anticipated overall demand estimates by operating service
3 area to budget the capital costs required for the equipment
4 described above to meet the overall customer forecasts.

5
6 Capital budgeting for this type of growth is less project
7 specific, because it is often difficult to predict a year or
8 more in advance which specific residential lots will seek
9 service or where a restaurant will be constructed. The company
10 can, however, reasonably predict the total number of new
11 residential and small commercial connections in future
12 periods and uses those estimates to create a capital plan for
13 serving these kinds of customers. Peoples considers the
14 capacity required to serve development - both short-term and
15 long-term - so it can efficiently plan and construct
16 facilities to serve the growing population and energy demand
17 of Florida.

18
19 **Q.** How does the company budget for large customer and RRE
20 projects?

21
22 **A.** The process for large customer and RRE projects is more
23 complex due to the typically larger dollar values of the
24 projects. For these projects, the process begins by
25 identifying the need (which occurs as previously discussed),

1 developing a preliminary design and cost estimate and
2 evaluating the importance of the project for safety,
3 compliance, reliability, environmental value and supporting
4 growth. The company primarily focuses on whether a large
5 project: (1) is necessary to serve a specific customer need
6 and/ or (2) will be supported by a revenue stream based on a
7 regular or special contract with the customer. Large projects
8 like these may also be considered if they support anticipated
9 demand for residential and small commercial customers. The
10 evaluation process involves the consideration of these
11 varying factors and is accompanied by the process for
12 determining whether large customers are offered tariffed-
13 based pricing or negotiated rates by special contract as
14 described by witness Rutkin.

15
16 Once the projects have been evaluated, the company uses
17 preliminary cost estimates and its rankings to develop a
18 capital budget that reflects a reasonable total amount of
19 capital spending and supports its efforts to provide safe and
20 reliable gas service to customers at fair, just, and
21 reasonable rates. Once a project is included in the capital
22 budget, the ECT team continues to refine the design of the
23 project and its cost estimates using the class estimating and
24 gating process described above until the design of the project
25 and cost estimates are construction ready.

1 Q. How are capital budgets approved?

2

3 A. As described by witness Parsons, the company's capital
4 budgets are approved by senior management annually as part of
5 the overall budget approval process; however, the company has
6 an internal system of management approvals that considers
7 construction, design, costs, safety, risks, and other factors
8 before individual projects are approved for construction. The
9 levels of approval required increase as the dollar value of
10 projects increase.

11

12 Q. Please explain the approval process for the company's higher
13 dollar value projects.

14

15 A. Approval of Peoples' capital projects is governed by TECO
16 Energy procurement policy. All projects above \$5 million must
17 be first reviewed by the Capital Leadership Team ("CLT") that
18 is made up of executives from Peoples, Tampa Electric and
19 Emera that are appointed by the Emera Chief Financial Officer
20 ("CFO"). The CLT works with the project team seeking approval
21 to ensure that the customer benefit and impact, financial
22 analysis and risk assessment used in the evaluation of the
23 project is accurate and complete. The CLT performs its review
24 of the project and ultimately makes a recommendation to the
25 President and CEO of Peoples, TECO Energy's Chief Executive

1 Officer, and the TECO Energy CFO (together referred to as
2 "Company Senior Management"). The Company Senior Management
3 then approves or rejects the project. All company projects
4 over \$10 million must also be approved by the company's board
5 of directors.

6
7 **Q.** How does the company perform the work included in its capital
8 budget?

9
10 **A.** Once capital execution has been approved to proceed, projects
11 are categorized as either Blanket Work, Funding Projects, or
12 Large Projects. The company applies the supply chain
13 management principles and practices previously described in
14 my direct testimony to all three categories.

15
16 Blanket Work refers to service main and service line
17 installation for new residential and commercial customers.
18 This high-volume work has averaged nearly 22,000 services per
19 year during the past three years (i.e., 2020 to 2022) and is
20 typically awarded to construction contractors via fixed unit
21 price multi-year contracts ("blanket contracts"). Company
22 witness Dr. Richard K. Harper discusses the economic
23 conditions, value of natural gas service to the growing
24 population of Florida and customer development of these
25 markets.

1 Funding Projects include distribution projects that exceed a
2 financial threshold of \$500,000 but are less than \$1.5
3 million. The company assigns these projects to a project
4 manager who leads the design, engineering, and construction
5 process. Smaller and less complex projects take advantage of
6 unit prices established in blanket contracts while more
7 complex projects go to market for formal construction bids
8 and proposals.

9
10 For all project types (Growth, RRE, Legacy Replacements and
11 Large Projects), ECT is responsible to complete engineering,
12 construction, and commissioning. The evolving needs of the
13 operations teams in maintaining, ensuring compliance, and
14 serving customers as the company expands its systems are
15 described by witness O'Connor.

16
17 **Q.** Does the company use outside contractors to build capital
18 projects?

19
20 **A.** Yes. Peoples relies on experienced national contractors
21 because it is the most cost-effective way to construct some
22 types of facilities including: (1) the approximately 22,000
23 new services Peoples installs each year and (2) all large
24 construction projects. Experienced contractors have the
25 expertise to ensure that Peoples can execute planned projects

1 safely and in the most cost-effective way. Using outside
2 construction contractors gives Peoples the ability to rapidly
3 increase and decrease the resources applied to construction
4 contracts or shift resources from one geographic area to
5 another based on customer demand. Relying solely on internal
6 labor for construction projects would otherwise limit
7 Peoples' agility to meet customer demand in a cost effective
8 and timely manner.

9
10 **Q.** What policies and procedures does Peoples use to ensure that
11 capital projects are constructed at the lowest reasonable
12 cost?

13
14 **A.** As part of the company's supply chain activities, Peoples
15 competitively sources or bids contractors to perform blanket
16 capital projects and larger construction projects.

17
18 The company uses construction project managers, job-site
19 inspectors, and system-wide project management to monitor
20 construction projects for compliance with construction
21 standards and contractual provisions and to help avoid
22 problems that may cause costly delays before they occur.

23
24 **Q.** How does Peoples manage safety performance of construction
25 activities?

1 **A.** In 2016, Peoples developed a robust construction quality
2 assurance program. The Quality Assurance team performs audits
3 of operational controls, safety programs, and contractor
4 operator qualification programs. This program is designed to
5 ensure continuous improvement and is governed by Peoples'
6 PSMS.

7
8 In 2018, Peoples implemented a Contract Business Partner
9 Safety Program that helps to ensure pipelines are built safely
10 even though this has resulted in an increase to construction
11 costs. This program is designed to ensure that there is
12 adequate oversight of the contractors working on and
13 constructing Peoples' system and reduce costs to customers by
14 mitigating safety incidents.

15
16 Peoples uses a third-party system, ISNetWorld.com, to track
17 and review pertinent contractor documentation (e.g., drug and
18 alcohol plan, safety program participation, insurance
19 certification, etc.) and to verify the contractor's operator
20 qualifications and inspection reports recorded by the
21 company's inspectors.

22
23 Peoples' Safety and Construction Management Departments
24 monitor the inspection reporting for any potential safety
25 issues and respond when needed. Throughout the construction

1 process, inspectors use ISNetWorld.com to confirm that crews
2 working on Peoples' system have appropriate operator
3 qualifications.

4
5 **Q.** What happens when construction projects are completed?

6
7 **A.** The company's accounting department has its own set of
8 processes for closing work orders and recording the project
9 in the company's financial records. From an operations
10 perspective, completed projects are placed under the care of
11 the Operations and Measurement and Regulation Teams when they
12 are placed in service and are monitored by the Gas Control
13 team.

14
15 **CAPITAL PROJECTS**

16 **A. Growth Projects 2022 to 2024**

17 **Q.** How much did the company spend in 2022 on capital projects to
18 serve residential and small commercial customers, and how
19 much does it plan to spend in 2023 and in the 2024 projected
20 test year to serve those customers?

21
22 **A.** The company spent approximately \$174.4 million on capital
23 projects to serve residential and small commercial customers
24 in 2022 and expects to spend approximately \$148.2 and \$147.0
25 million in 2023 and 2024, respectively. The budgeted amounts

1 for 2023 and 2024 were developed using the budgeting process
2 described above. These amounts are based on projected new
3 customer counts, service area growth, historical experience,
4 market conditions, and known residential and commercial
5 developments. A schedule showing the major categories of
6 capital spending in these areas for actual 2022 and forecasted
7 2023 and 2024 is shown on Document No. 2 of my Exhibit No.
8 CCR-1.

9
10 **Q.** Are these levels of spending prudent and should they be
11 included in rate base for the 2024 projected test year?

12
13 **A.** Yes. The levels of capital spending to serve residential and
14 small commercial customers shown on Document No. 2 of my
15 Exhibit No. CCR-1 are needed to serve anticipated demand, are
16 consistent with the level of customer growth reflected in the
17 demand forecast outlined by witness Fox and will be performed
18 as previously described in my direct testimony. The overall
19 spending levels to serve residential and small commercial
20 customers reflects Peoples' view that Florida and the areas
21 served by Peoples will continue to experience strong
22 residential growth as discussed in the direct testimonies of
23 witnesses Harper and Wesley.

24
25 **B. RRE Projects Since Last General Base Rate Proceeding**

1 Q. What major projects has Peoples placed in service to support
2 the distribution system RRE since its last general base rate
3 proceeding?

4
5 A. Four major projects with both growth and RRE elements were
6 under construction and discussed in the company's 2020
7 general base rate proceeding, namely the Jacksonville,
8 Thomas/Baldwin Compressor Station, Southwest Florida, and
9 Panama City projects. These four projects were engineered,
10 designed, and constructed using the processes previously
11 described, are prudent, and should be included in rate base
12 in this proceeding.

13
14 Peoples also completed the Florida Gas Transmission Company
15 ("FGT") to Big Bend project, which is a customer-backed
16 project serving Tampa Electric's Big Bend Power Station and
17 is discussed in the prepared direct testimony of witness
18 Rutkin. The Dade City Connector project, which began at the
19 end of the 2020 general base rate proceeding, was included in
20 the settlement agreement that resolved that case and will be
21 discussed later in my direct testimony as a 2022 to 2024 RRE
22 project.

23
24 Q. Please explain the Jacksonville project.

25

1 **A.** The recent Jacksonville system expansion to meet customer
2 growth and demand resulted in higher inlet pressure
3 requirements and was the primary reason for this capital
4 investment. Peoples completed the Jacksonville project in
5 October 2021. The project expanded the company's Jacksonville
6 system in four areas to provide additional system RRE and
7 serve existing and new customers. The cost of this project
8 was \$66 million and involved adding nine miles of new pipe
9 and uprating 17 miles of existing pipe to a higher maximum
10 operating pressure ("MAOP").

11
12 **Q.** Please describe the Thomas/Baldwin Compressor Project.

13
14 **A.** Like the Jacksonville project, the Thomas/Baldwin Compressor
15 project helped meet Jacksonville inlet pressure requirements
16 to serve the Jacksonville market. The Thomas/Baldwin
17 Compressor Project added a 3,800-horsepower compressor
18 station to the company's system to move approximately 60 to
19 120 MMCFD of gas. The compressor station went in service in
20 April 2021 and cost approximately \$25 million.

21
22 **Q.** Please describe the Southwest Florida project.

23
24 **A.** Southwest Florida is one of the fastest growing areas of the
25 Peoples system. As highlighted by witness Harper, the

1 population growth in Collier and Charlotte Counties in
2 Southwest Florida from 2000 to 2019 has increased by 52.1
3 percent and 30.4 percent, respectively. These increases
4 exceed the U.S. population growth of 17.1 percent for the
5 same period. Additionally, Collier County population growth
6 has exceeded the 34.0 percent population growth of Florida
7 from 2000 to 2019. This growth is contributing to customer
8 demand for natural gas, and this trend is expected to
9 continue.

10
11 The increase in customer demand has caused pressure drops and
12 an associated reliability risk on the South side of the
13 Southwest Florida service area, so Peoples completed the
14 Southwest Florida project in October 2020 to maintain
15 pressures and reliable service. The project expanded Peoples'
16 distribution system to the east and reinforced the Southwest
17 Florida part of Peoples' distribution system by adding a loop
18 from Fort Myers to Naples at a cost of approximately \$47
19 million. The project involved adding 65 miles of mains and
20 was engineered, designed, and constructed using the processes
21 previously described in my direct testimony. The project is
22 prudent and should be included in rate base in this case.

23
24 **Q.** Please describe the Panama City project.
25

1 **A.** Much like Southwest Florida and other parts of the state,
2 Panama City has also experienced significant population
3 growth. Company witness Harper's direct testimony describes
4 the Panama City population growth increase of 26.1 percent
5 between 2000 to 2019, which exceeded the national growth of
6 17.1 percent. The population growth in this period and
7 projected future growth underpins the need for natural gas
8 expansion of the Panama City project. This project was
9 completed in April 2021 and enabled the company to access
10 incremental natural gas capacity to address current and
11 future growth by constructing a line to connect the 18-inch
12 FGT pipeline to the west with the eight-inch FGT pipeline to
13 the east. The cost of this project was \$33 million, and it
14 involved adding 21 miles of mains. It was engineered,
15 designed, and constructed using the processes previously
16 described in my direct testimony. The project is prudent and
17 should be included in rate base in this case.

18

19 **C. RRE Projects from 2022 to 2024**

20 **Q.** What major RRE projects were underway in 2022 and will be
21 placed in service in 2023?

22

23 **A.** There are four major RRE projects and a collection of
24 technology projects, including the company's WAM system. Two
25 of the RRE projects were ongoing in 2022 and will be completed

1 in 2023. Construction on two of the projects will begin in
2 2023 and extend into 2025. A schedule summarizing the projects
3 and their projected capital spending for them from 2022 to
4 2024 is included in Exhibit CCR-1 as Document No. 2.

5
6 **Q.** What major RRE projects were underway in 2022 and will be
7 placed in service in 2023?

8
9 **A.** There are two, the Sumterville-Dade City Connector ("Dade
10 City Connector") project and the WAM project. Both projects
11 will provide important RRE benefits to Peoples and its
12 customers, are being constructed using the processes I
13 previously described in my direct testimony, are prudent, and
14 should be included in rate base for the 2024 projected test
15 year.

16
17 Dade City Connector

18 **Q.** Please describe the Dade City Connector project.

19
20 **A.** The Dade City Connector project is currently under
21 construction and projected to be in service by December 31,
22 2023. This project involves constructing a 30-mile lateral
23 using eight-inch steel pipe. The facilities are being
24 installed mainly in the public rights-of-ways adjacent to US
25 Highway 301 from Dade City to Sumterville, Florida. The

1 pipeline will address capacity and reliability issues in the
2 Ocala service area. As part of the project, the company will
3 install three Main Line Valve sites equidistance along the
4 lateral on fee-owned parcels. The new pipeline will be fed
5 from the Lakeland to Dade City 12-inch pipeline.

6
7 **Q.** How does the Dade City Connector project address the company's
8 capacity needs in its Ocala service area?

9
10 **A.** The Ocala service area has seen significant load growth in
11 the past six years with loads increasing by 28 million therms,
12 or 97 percent, since 2018. In terms of customers, total
13 customer count went from 43,408 in 2018 to 54,583 in 2022 for
14 the Ocala service area. This growth has caused pressure drops
15 in the southern parts of the Ocala service area, which is
16 several miles away from the Ocala main gate station located
17 in the northern part of the Ocala service area. These pressure
18 drops and other day-to-day system balancing and operating
19 challenges are the reasons this project is needed. In short,
20 the company needed the additional capacity to serve the
21 growing Ocala service area.

22
23 **Q.** What are the company's capacity needs in its Ocala service
24 area and how will the Dade City Connector provide the
25 necessary additional capacity?

1 **A.** The current peak demand in the Ocala service area is
2 approximately 38,900 MMBtu/day, and the company's current
3 system is designed to handle approximately 12,500 MMBtu/day.
4 The Dade City Connector will add approximately 33,500
5 MMBtu/day of additional capacity to the Ocala system, thus,
6 raising the Ocala service area's peak capacity to
7 approximately 46,000 MMBtu/day. The incremental load handling
8 capacity of the system will result in better service to
9 existing and new customers across the system. The new capacity
10 will immediately improve system pressure across the Ocala
11 service area.

12
13 **Q.** Did Peoples consider any alternatives to address the
14 increasing demand in its Ocala service area?

15
16 **A.** Yes. Peoples initially considered a new long-term interstate
17 transportation service from FGT and Sabal Trail Transmission
18 ("STT") as a solution to capacity restraints; however, the
19 new cost of this alternative became prohibitive and the
20 resulting rate impact on the company's customers was a
21 concern. This led Peoples to explore other alternatives,
22 including the Dade City Connector project, which ultimately
23 proved to be the lowest cost and best overall long-term
24 solution for customers.

25

1 Q. How will the Dade City Connector project benefit customers?

2

3 A. The Dade City Connector will provide a back-feed to the
4 company's entire Ocala service area and hydraulically connect
5 the Tampa and Ocala service areas. It will provide system
6 hardening to the company's entire distribution system and
7 will bolster the Ocala service area's current capacity which
8 will benefit all customers in the Ocala area.

9

10 The project will also: (1) allow the company to redeploy and
11 repurpose its Pasco Cogen line that formerly served the Pasco
12 Cogen Power Plant; (2) support the safe addition of new
13 customers seeking gas service and will enable existing
14 customers to add high-load appliances, including standby
15 generators, without experiencing gas supply delivery
16 curtailments or limitations; and (3) improve gas service
17 availability in a geographic area with a growing population
18 with increasing energy demand.

19

20 Q. What is the projected total cost of the Dade City Connector
21 project and how does that cost compare to the estimated cost
22 provided by the company in its last general base rate
23 proceeding?

24

25 A. In the 2020 general base rate proceeding, the 2019 cost

1 estimate was approximately \$69 million. With the project
2 being constructed four years later, the estimate for Dade
3 City Connector is now \$79 million. This increased estimate
4 reflects the inflationary pressures of the materials and
5 labor increases experienced by Peoples over that period. The
6 project team continues to work to identify opportunities for
7 cost reduction including cost savings with route selection,
8 the strategic procurement of pipe at lower than estimate
9 pricing, and lower than expected costs from the contractor by
10 using Peoples' bid process, which now incorporates early
11 contractor engagement to ensure greater price certainty.

12
13 WAM

14 **Q.** Please describe the company's WAM project.

15
16 **A.** WAM is a central technology platform used by most utilities
17 to track all aspects of an asset's life including planning,
18 design, construction, use and retirement and provide for safe
19 operations. It facilitates better work planning and
20 execution, centralized management of assets, enhanced
21 customer service and system safety. The company expects its
22 WAM system to deliver efficiency improvements that will
23 support system growth and reduce risks.

24
25 **Q.** How does WAM fit into the company's overall strategy?

1 **A.** The company's strategy revolves around meeting customer
2 demand for safe, clean, and affordable natural gas. The
3 challenge for the company is to determine the best, most cost-
4 effective, and efficient way to meet this demand. Deploying
5 technology is part of that answer. WAM will allow Peoples to
6 use technology to efficiently meet customer demand as Peoples
7 manages an increasingly complex gas system. WAM will enable
8 more effective use of capital and O&M resources through better
9 planning and work management.

10
11 **Q.** What is the projected cost of the WAM system and when will it
12 be in service?

13
14 **A.** The company budgeted the capital portion of the WAM system to
15 cost approximately \$34.4 million, which is reflected in the
16 company's projected rate base for the 2024 projected test
17 year. The project is projected to be completed mid-2023. As
18 of March 31, 2023, all major components were purchased,
19 contracts were place and the project was within budget. The
20 company spent approximately \$12.7 million on WAM in 2022 and
21 expects to spend approximately \$10 million in 2023.

22
23 **Q.** Is the company's projected investment in its WAM system
24 reasonable and prudent?

25

1 **A.** Yes. The WAM system will provide substantial operational,
2 customer service and risk reduction benefits for the company
3 and its customers. It was procured using the company's
4 standard supply chain practices which are designed to ensure
5 that goods and services are purchased at the lowest reasonable
6 cost. WAM systems are considered the industry standard.

7
8 **Q.** How did the company procure the equipment and services for
9 the WAM system?

10
11 **A.** The company ultimately selected SAP as its major software
12 vendor using Deloitte as its system integrator through a
13 technical requirement and needs assessment and a rigorous
14 procurement process that evaluated multiple options. The
15 objective technical review of multiple proposals showed that
16 SAP: (1) offered the most cost-effective and robust solution,
17 (2) is a known industry leader, and (3) integrates well in
18 the Peoples SAP information technology ecosystem. More
19 importantly, SAP's products can be updated and improved as
20 new applications become available. A schedule detailing the
21 major components and projected costs for the company's WAM
22 project by year is included in Document No. 3 of Exhibit No.
23 CCR-1.

24
25 **Q.** How will WAM benefit Peoples' customers?

1 **A.** The WAM system will allow the company to centralize work in
2 one system, eliminating the need for multiple independent
3 niche systems and will serve as the hub for all work including
4 new construction, system reliability and maintenance and
5 compliance. WAM will: reduce the risk associated with
6 multiple niche systems; digitalize and standardize manual
7 processes; and integrate them with existing enterprise
8 financial and customer systems (e.g., ERP and CRB).

9
10 WAM will enable the optimization of work planning, scheduling
11 and dispatch, and better project planning and tracking. In
12 providing a new source of operational data and reporting, WAM
13 will improve decision-making, eliminate manual work, and
14 enable tighter controls.

15
16 These benefits will provide net efficiency gains, mitigate
17 cost increases, reduce risks, and allow Peoples to continue
18 to efficiently grow and meet customer demand for safe and
19 reliable gas service with an exceptional customer experience.

20
21 **Q.** Will WAM result in lower O&M expense in the 2024 projected
22 test year?

23
24 **A.** In time, WAM will generate O&M cost savings and avoidance,
25 but only minimally in the 2024 projected test year. Benefits

1 realizations are expected gradually by year three of
2 operating the system. In 2024, WAM will deliver a
3 technological foundation to gain efficiencies in managing the
4 limited personnel resources, supply chain costs, and other
5 project costs for engineering and construction. Once the
6 infrastructure is fully implemented, WAM will also provide a
7 technological foundation to enhance routing, resource
8 management, and task prioritization efforts described by
9 witness O'Connor. Peoples has operated without a WAM system
10 in the past, but with the expanding customer base, evolving
11 compliance requirements and overall workload challenges, this
12 implementation is the most prudent option to maximize current
13 and future resources using the most current technology.

14
15 **Q.** What major RRE projects are beginning in 2023 and will extend
16 into the 2024 projected test year?

17
18 **A.** There are two, the Tampa City Distribution Trunk and the
19 Downtown Tampa Main projects. Both will be engineered,
20 designed, and constructed using the processes previously
21 described in my direct testimony. Due to the size of these
22 projects and their 2025 in-service dates, they will be
23 eligible to accrue an Allowance for Funds Used During
24 Construction ("AFUDC") and the capital cost will not be
25 included in the company's 2024 projected test year rate base

1 calculation.

2

3 Tampa City Distribution Trunk Project

4 **Q.** Please describe the Tampa City Distribution Trunk project.

5

6 **A.** This project involves using approximately 15 miles of six-
7 inch, 125 pounds per square inch ("psi") of pressure coated
8 steel pipe to form high-pressure trunk line, mainlines which
9 connect at distant points, through the 60-psi large urban
10 Tampa distribution system. The trunk line will connect the
11 high-pressure mainlines at Crest and Hubert Avenues with the
12 Tampa Southwest gate station and the Estuary regulator
13 station. The company will install three to four additional
14 regulator stations off the coated steel pipeline in strategic
15 areas to feed the existing 60 psi distribution system,
16 eliminate pressure issues, and support a significant amount
17 of new demand. Construction of this project is expected to
18 begin in 2023 and end in 2025 and is budgeted to cost
19 approximately \$14 million.

20

21 Tampa Downtown Main Project

22 **Q.** Please describe the Tampa Downtown Main project.

23

24 **A.** This project will replace approximately 12 miles of aging gas
25 main and accompanying service lines in the downtown area of

1 Tampa. The existing pipeline infrastructure consists of steel
2 pipe and some sections of plastic pipe incased in steel pipe
3 under existing sidewalks and pavement which needs to be
4 removed and replaced to ensure proper leak detection.
5 Replacement of these mains will allow operation up to 60 psi
6 and provide better service for increased load in the downtown
7 area. It will also enhance the company's ability to physically
8 locate its assets to facilitate repairs and prevent damages.
9 Construction of this project is expected to begin in 2023 and
10 end in 2025 at a budgeted cost of approximately \$19 million.

11
12 Technology Projects

13 **Q.** Other than for WAM, what amount did the company spend on
14 technology capital projects in 2022, and how much does it
15 expect to spend in 2023 and 2024?

16
17 **A.** The company spent approximately \$9.5 million on technology
18 capital projects in 2022 and has budgeted to spend
19 approximately \$9.0 and \$15.1 million in 2023 and 2024,
20 respectively. These amounts represent either (1) Peoples'
21 share of the capital cost of common IT projects being
22 performed by Tampa Electric or (2) specific projects for
23 Peoples to be executed by Tampa Electric or Peoples. The
24 allocation and attribution process is described earlier in my
25 direct testimony.

1 Q. What are the non-WAM IT projects in 2022, 2023 and 2024?
2

3 A. The company's non-WAM IT project costs for 2022 through 2024
4 are shown on Document No. 4 of Exhibit No. CCR-1. Explanations
5 of the most significant non-WAM IT projects, how they benefit
6 customers and why they are prudent are captured in Document
7 No. 5 of the exhibit.
8

9 Q. Are the non-WAM IT projects for 2022 to 2024 prudent?
10

11 A. Yes. They are needed to provide safe, reliable, and efficient
12 gas service to Peoples' customers. They were or will be
13 procured at the lowest reasonable cost, will benefit Peoples'
14 customers, and should be included in rate base for the
15 company's 2024 projected test year.
16

17 **D. LEGACY PIPE PROJECTS**

18 Q. Please describe Peoples' Cast Iron/Bare Steel Replacement
19 ("CI/BSR") rider program.
20

21 A. Maintaining safe and reliable assets while delivering value
22 to customers is Peoples' primary focus, especially for the
23 ECT group. Like many other utilities in the U.S., Peoples
24 identified legacy assets that required replacement to ensure
25 long-term reliability and system integrity, namely legacy

1 cast iron pipe, bare steel pipe ("CI/BS") and problematic
2 plastic pipe ("PPP").

3
4 In 2012, Peoples began a program to retire and replace all
5 CI/BS pipe from its system through the CI/BSR rider, which
6 was approved by the Commission in Docket No. 20110320-GU, by
7 Order PSC-12-0476-TRF-GU, issued on September 18, 2012. The
8 Commission later approved extending the program to include
9 PPP. The company will continue to minimize safety risks and
10 improve operational reliability for its customers and the
11 public by replacing these high-risk legacy pipes. The CS/BSR
12 program has enhanced the safety of Peoples' distribution
13 system and has reduced methane emissions by mitigating
14 pipeline assets that have a higher prevalence for leaks.

15
16 **Q.** What progress has the company made replacing legacy pipe?

17
18 **A.** By the end of 2023, Peoples will have replaced all but
19 approximately 0.5 miles of CI/BS pipe, or a total of 431
20 miles. The replacement of the remaining 0.5 miles of CI/BS is
21 delayed due to a local government-imposed construction
22 moratorium in place until 2027.

23
24 Peoples removed all remaining low-pressure pipelines, 11
25 miles, from the system as of mid-2019. These low-pressure

1 pipelines were considered high safety risks since there are
2 no added protections (e.g., pressure regulators) installed at
3 the connected customer premises.

4
5 Peoples began replacing PPP on July 1, 2017 and has replaced
6 approximately 528 miles of PPP since that date. By the end of
7 2023, the company will have approximately 239 miles of PPP
8 remaining for replacement. The company expects to complete
9 PPP replacements by 2028.

10
11 **Q.** What amount did the company spend in 2022 to replace CI/BS
12 and PPP pipe, and how much does it expect to spend in 2023
13 and 2024?

14
15 **A.** Peoples spent approximately \$31.3 million for legacy pipe
16 replacement in 2022. It expects to spend \$27.3 and \$20.8
17 million, respectively, in 2023 and 2024. This represents the
18 capital costs associated with replacing a total of 71 and 53
19 miles of legacy pipe in 2023 and 2024, respectively. The
20 company performs work associated with these projects in
21 accordance with the supply chain and other processes
22 described earlier in my direct testimony. This work is needed
23 for safety and is prudent. The company's proposal for
24 recovering the cost of these projects and other CI/BSR
25 projects will be explained by witness Parsons in her prepared

1 direct testimony.
2

3 **TEST YEAR OPERATIONS AND MAINTENANCE EXPENSES**

4 **Q.** What amount of ECT O&M expenses is included in the 2024
5 projected test year and calculation of the company's proposed
6 rate increase?
7

8 **A.** The ECT group is forecasted to incur approximately \$7.1
9 million of O&M attributed in the 2024 projected test year. Of
10 this amount, \$4.4 million is categorized as trended O&M, while
11 \$2.7 million is categorized as not trended O&M. Company
12 witness Parsons addresses trended O&M in her direct testimony
13 and my direct testimony provides explanations for not trended
14 O&M including team member additions.
15

16 **Q.** How does the 2024 not trended O&M expense amount compare to
17 the actual ECT not trended O&M amount in 2022 and 2023, and
18 projected for 2024?
19

20 **A.** The ECT not trended O&M for ECT was \$2.3 million and \$2.7
21 million in 2022 and 2023, respectively. The increase from
22 2023 to 2024 is negligible (less than \$10,000) and the
23 increase over the two-year period of 2022 compared to 2024 is
24 approximately \$400,000, or 18 percent. The major causes of
25 the variance between 2022 and 2024 are attributed to an

1 increase in Distribution Integrity Management Program
2 ("DIMP") costs and IT-related costs including software
3 licensing and WAM support, which are being offset by
4 reductions in Transmission Integrity Management Program
5 ("TIMP") costs and Tampa Electric allocations for Supply
6 Chain.

7
8 Peoples' TIMP O&M remained constant between 2022 and 2023 at
9 \$1.4 million each year due to a levelized accounting
10 treatment approved by the Commission in the company's last
11 general base rate proceeding. As discussed further in the
12 direct testimony of witness Parsons, the term of this approved
13 levelized accounting treatment expires in 2023 and the
14 company proposes continuing the treatment but lowering the
15 O&M to just under \$1 million based on projected TIMP spending
16 for 2024 through 2026. Peoples' O&M spending for the DIMP
17 system is projected to increase from \$27,000 to \$154,000
18 between 2022 and 2023 (and \$157,000 in 2024) due to the
19 introduction of a new DIMP probabilistic risk modeling system
20 to replace the existing index-based risk model.

21
22 Renewal of the Microsoft Enterprise Agreement (EA) will come
23 due in 2023 and into 2024, and increased licensing costs are
24 expected. In addition, WAM maintenance will begin in 2023.
25 Combined, these items add \$334,000 in 2023 and \$341,000 in

1 2024 for vendor license and maintenance costs.

2

3 The WAM-related increase of approximately \$407,000 between
4 2022 and 2023 is primarily caused by a shift from capital to
5 O&M contractor support. The projection for WAM maintenance
6 will slightly increase to approximately \$416,000 as more
7 support is needed and additional releases and enhancements
8 are deployed.

9

10 By implementing its own Supply Chain team, Peoples has reduced
11 its dependency on Tampa Electric. This is evidenced by the
12 reduction of procurement allocation costs of \$839,000 in 2022
13 to around \$374,000 in 2023, with a projected amount of
14 \$382,000 in 2024.

15

16 **Q.** What factors have contributed to the growth in ECT not trended
17 O&M expenses since 2022?

18

19 **A.** Currently, Peoples is making a strategic capital investment
20 into a new DIMP probabilistic risk model system. The new
21 system is scheduled for deployment by end of year 2023, meets
22 PHMSA recommendations and best practices, and will replace
23 the company's current DIMP index-based risk modeling system.
24 Implementation in 2023 will generate an increase in O&M
25 expense for DIMP Risk Analysis and Planning.

1 In 2022, the WAM project deployed its first release to
2 Peoples. This release has produced a shift in contractor
3 project resources from implementation to support and
4 maintenance. This has resulted in a move from capital to O&M
5 in 2023, with continued O&M expense into 2024.

6
7 Additionally, starting in the second half of 2023, Peoples
8 will not be able to capitalize a major portion of the
9 company's existing enterprise agreement with Microsoft.
10 Peoples capitalized the cost of license agreements for prior
11 projects as part previous workstation refresh and server
12 infrastructure capital investments. From these workstation
13 and server investments, Peoples now transitions to support
14 these systems, which also shifts funding to maintenance and
15 compliance efforts. This will move portions of the company's
16 investment from capital to O&M for the EA licensing and
17 maintenance agreement.

18
19 Q. Has the company needed to add personnel in the ECT area?

20
21 A. Yes. Demand for natural gas as a safe, clean, and reliable
22 source of energy continues to be high in Florida. The value
23 of natural gas coupled with the continued population growth
24 in Florida is projected to result in the addition of over
25 51,000 new customers from 2022 to 2024. This growth, in

1 combination with reliability projects and emerging market
2 projects, notably Renewable Natural Gas ("RNG"), has
3 increased the company's need for team members and outside
4 service providers in the ECT area.

5
6 The company need to add people to its ECT team so it can
7 continue to focus on improving processes and leveraging
8 technologies to better manage an increasingly complex natural
9 gas system, operate safely and reliably, and support the
10 capital portfolio to ensure projects are delivered with value
11 in mind.

12
13 **Q.** Please describe how the ECT team has grown since the company's
14 last general base rate proceeding and its hiring plans through
15 2024?

16
17 **A.** Peoples added 20 additional team members to the ECT team in
18 2022, and as shown on pages 19c through 19e of MFR Schedule
19 G-2, intends to add 33 and eight additional team members in
20 2023 and 2024, respectively. The 41 added personnel are
21 categorized as "operation supervision and engineering" (FERC
22 Account 870), "other expenses (Operations)" (FERC Account
23 880), and "administrative and general salaries" (FERC Account
24 920). It is worth noting that only a fraction of the costs
25 for the added positions for the ECT team result in an O&M

1 impact. Most of the costs relate directly to capital work and
2 will be capitalized as part of the cost of capital projects.

3
4 **Q.** Please describe the roles and responsibilities of the ECT
5 team members the company has and plans to add in 2023 and
6 2024?

7
8 **A.** 28 of the 41 ECT positions to be added between 2023 and 2024
9 are in support of operation supervision and engineering -
10 FERC account 870. These positions will support customer
11 growth (installation of new services), capital management
12 (planning, execution, and governance) and support services
13 (GIS, engineering and design, and system planning).

14
15 Of the 28 new positions for FERC account 870, 17 will support
16 customer growth. These 17 positions include a combination of
17 replacements and new positions. These positions are needed to
18 support the continued growth of new services installed each
19 year including Gas Design Technicians, Construction
20 Inspectors, Gas Design Supervisors and Construction
21 Supervisors.

22
23 Seven of the 28 positions will be members of a new Capital
24 Management Group. The purpose of this group is to reinforce,
25 monitor, and govern capital investment execution to ensure

1 continued customer value. Use of a capital management group
2 is a common utility best practice.

3
4 The balance of the 28 team member additions - FERC account
5 870 support the natural gas system integrity. These four
6 positions will support Peoples expanding and increasingly
7 complex system to ensure safe operations. These positions
8 include Engineers, GIS Technicians, and system modelling
9 personnel. These positions are critical to ensure compliance
10 with regulatory requirements, safe operations, and prudent
11 system planning.

12
13 In addition to the 28 positions supporting FERC account 870,
14 the company plans to add eight team members under FERC account
15 880 - other expenses (Operations) in 2023 and 2024. These
16 personnel will support a growing natural gas system through
17 24hr monitoring of the natural gas system from the Gas Control
18 and Measurement and Regulation teams.

19
20 The remaining five of the 41 ECT additional positions in 2023
21 and 2024 will be included in FERC account 920 - Administrative
22 and General Salaries. These personnel will support delivering
23 greater value to customers through strategic materials and
24 supplies contract management. A portion of the team was
25 established in 2022 with the balance hired or to be hired in

1 2023. The Supply Chain team will ensure strategic contracting
2 and management for Peoples materials and services so Peoples
3 can effectively deliver on its O&M and capital budgets with
4 the best value for customers in mind.

5
6 Finding qualified persons to fill these positions has been a
7 challenge in the current labor market. The current labor
8 market challenges experienced in the ECT area are explained
9 by witness Bluestone in her prepared direct testimony.

10
11 **Q.** What actions has the company taken to control the level of
12 ECT O&M expenses in the 2024 projected test year?

13
14 **A.** With the growth experienced in the past few years, the Peoples
15 system continues to evolve and grow in complexity. To ensure
16 Peoples continues to operate a safe and reliable system while
17 delivering value to customers, the team continues to evaluate
18 and implement opportunities to increase productivity,
19 efficiency and reduce costs. This includes formal process
20 improvement projects, refinement, and implementation of
21 better Key Performance Indicators (KPIs), lessons learned on
22 large projects, implementation of the Supply Chain team to
23 reduce materials and supply costs, and implementation and
24 leveraging of technologies such as GPS and Barcoding,
25 MobilGuard leak detection, WAM, and Integrity Management

1 software.

2

3 **Q.** Is the level of ECT O&M expenses in the 2024 projected test
4 year reasonable?

5

6 **A.** Yes. Positions have been added in areas to support customer
7 demand, better manage a growing capital budget, lower
8 supplies and materials costs, and operate a growing and more
9 complex system. The year-over-year growth in O&M, including
10 2024, is aligned and in support of system growth.

11

12 **SUMMARY**

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

14

15 **A.** Peoples is committed to operating a safe and reliable system
16 while delivering value to customers. Florida's population
17 growth has resulted in greater demand for natural gas. As the
18 company expands its distribution system to meet growing
19 customer demand, the ECT group works with other areas of the
20 company to ensure those commitments are met. The team works
21 with its affiliate service provider, Tampa Electric, to
22 deliver IT solutions that are foundational to delivering
23 safe, reliable, and efficient gas service and an exceptional
24 customer experience for Peoples' customers. Understanding
25 that the increase in demand drives costs, the supply chain

1 management system enables Peoples to secure goods and
2 services at the greatest value and lowest reasonable cost to
3 its customers. The residential and small commercial, RRE,
4 legacy pipe, and technology capital projects undertaken by
5 the company since its last general base rate proceeding and
6 the ECT O&M expenses in the company's 2024 projected test
7 year are reasonable and prudent.

8
9 **Q.** Does this conclude your prepared direct testimony?

10
11 **A.** Yes.

12
13
14
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22
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25

1 (Whereupon, prefiled rebuttal testimony of
2 Christian C. Richard 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
CHRISTIAN C. RICHARD

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **REBUTTAL TESTIMONY**

3 **OF**

4 **CHRISTIAN C. RICHARD**

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

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

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

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

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

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

1 supply chain management team.

2

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

5

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

13

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

16

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

19

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

1 management team because of the 2023 Transaction.
2

3 **Capital Spending**

4 **Q.** Do you agree that the company's 2024 revenue requirement
5 should be reduced by \$3.9 million because the company
6 cannot be expected to spend the money it has budgeted
7 for capital projects in 2023 and 2024?
8

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

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

4
5 A. Yes. Peoples has made improvements to the capital
6 governance and budgeting process for residential and
7 commercial customer additions, including distribution
8 blanket work and distribution funding projects less than
9 \$1.5 million. The company has also made similar
10 improvements for large capital projects, including
11 distribution projects over \$1.5 million and all other
12 projects related to growth; Reliability, Resiliency, and
13 Efficiency ("RRE") projects; and projects qualifying for
14 Allowance for Funds Used During Construction ("AFUDC").

15
16 In 2021, Peoples built a new budgeting tool for
17 distribution work (residential and commercial) that
18 allows the company to improve its prediction of work by
19 division. With the additional 51,000 customers the
20 company projects it will add between 2022 and 2024, more
21 accurate models to predict and forecast expected
22 workload ensures better planning for contracted
23 construction resources and less variance to budget.

24
25 For the larger projects, which may include distribution

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

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

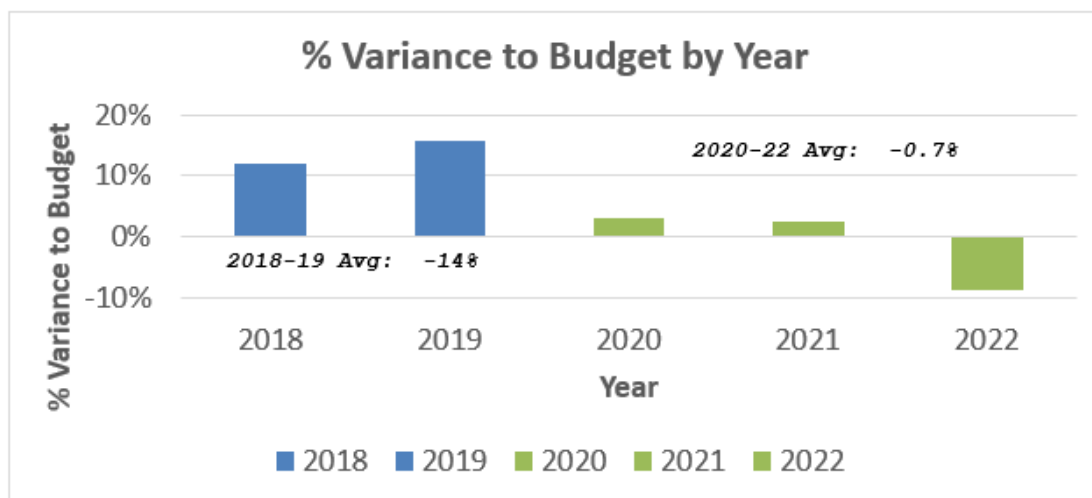
4
5 The pandemic's impact on the global economy, including
6 inflation, has also impacted project planning and
7 budgeting. Some of Peoples' larger projects are planned
8 months or years in advance. Inflation assumptions can
9 impact a project's delivered cost. Project inflation
10 assumptions are now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

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

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

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

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



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

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

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

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

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

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

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

Staffing for Construction

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

5
6 **A.** No. The Peoples natural gas system is growing in size
7 and complexity and requires additional resources to
8 ensure safe and reliable service. Peoples plans to hire
9 41 employees in the ECT area in 2023 and 2024 and will
10 go from 150 full-time equivalents in 2022 to 191 in
11 2024. Of the 41 employees to be hired, 17 are
12 replacements (vacancies at the end of December 2022) and
13 24 are new. The 17 replacements are part of the ongoing
14 employee vacancies created from promotions, retirements
15 and attrition. Of the 24 new positions, five are Supply
16 Chain (FERC Account "Admin and General Salaries"), four
17 are Gas Control and Measurement and Regulation (FERC
18 Account "Other Exp"), seven are in support of improved
19 capital management, while the balance (8) are to support
20 design, engineering and construction (FERC Account
21 "Operations, Supervision and Engineering"). It is worth
22 noting the majority of the costs associated with the new
23 ECT positions are in support of Peoples' capital plan
24 and are charged to capital.

25

E3-76

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

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

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

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

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

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

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

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

19

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

22

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

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

18
19 **Q.** Why are the other 5 support positions necessary?

20
21 **A.** Of the remaining 8 new positions, 5 support increased
22 workload related to residential and commercial customer
23 growth throughout the state and RRE projects, including
24 municipal improvement projects. There has been a
25 particularly noticeable increase in Municipal

1 Improvement projects driven by the Inflation Reduction
2 Act. Local and state governments are taking advantage
3 of this funding to improve transportation
4 infrastructure, which in turn requires Peoples to
5 relocate some of its assets. Some areas of the state
6 also have new, more strict permitting requirements.
7 These new permitting requirements impact design and
8 require more oversight, including more stringent
9 restoration requirements after construction, additional
10 asphalt work, and additional well pointing. The
11 additional resources are not only targeted in areas with
12 increased permitting requirements, they are also
13 targeted in areas of the state with higher growth rates
14 such as Jacksonville, Ocala, and Fort Myers where local
15 design and construction oversight is performed. These
16 areas of higher growth of residential and commercial
17 customers typically also includes higher municipal
18 improvement relocation projects. The positions required
19 to support the increased workload includes four Gas
20 Design Technicians, four Construction Inspectors, two
21 administrative positions, and one Gas Design Supervisor.
22
23 The remaining three new positions (of the 8) includes
24 one GIS position, one engineer for large project
25 engineering design and project management and one

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

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

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

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

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

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

23
24 Supply Chain

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

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

3

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

18

19 **SUMMARY**

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

21

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

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

11

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

13

14 **A.** Yes, it does.

15

16

17

18

19

20

21

22

23

24

25

1 BY MS. PONDER:

2 Q Mr. Richard, you did also prepare and cause to
3 be filed with your direct testimony an exhibit marked
4 CCR-1 consisting of five documents?

5 A Yes.

6 Q Did you also prepare and cause to be filed
7 with your rebuttal testimony exhibit marked CCR-2
8 consisting of one document?

9 A Yes.

10 MS. PONDER: Mr. Chairman, Peoples would like
11 to note for the record that Exhibit CCR-1 and CCR-2
12 have been identified on the CEL as Exhibits 16 and
13 28.

14 BY MS. PONDER:

15 Q Mr. Richard, would you please summarize your
16 direct and rebuttal testimony?

17 A Sure.

18 Good afternoon, Commissioners. My testimony
19 describes the company's engineering, construction and
20 technology team, as well as their responsibilities and
21 functions. It also describes the company's substantial
22 growth over the past few years, and how it has improved
23 in the areas of engineering, construction and
24 technology, to efficiently provide customers with
25 natural gas.

1 My testimony explains engineering,
2 construction and technology team's capital budgeting and
3 forecasting processes for residential and small
4 commercial projects, for reliability resiliency and
5 efficiency projects, for legacy pipe projects, as well
6 as technologies capital projects.

7 My testimony also demonstrates that the
8 company's proposed levels of operation and maintenance
9 for expense for engineering, construction and technology
10 for the 2024 test year are reasonable and prudent.

11 My rebuttal testimony describes the
12 improvements made in the capital planning and budgeting
13 processes evidenced by the reduction in actuals to
14 budget variance from 2020 to 2022 as compared to 2018
15 and '19. These improvements translate into greater
16 certainty and capital planning for 2023 and 2024.

17 My rebuttal testimony also demonstrates the
18 value of the new supply chain team, and supports the
19 overall planned employee additions into 2024 test year
20 as being reasonable and prudent.

21 We are proud of our ability to continue to
22 meet customer expectations for clean, reliable and
23 affordable and safe natural gas.

24 That concludes my summary.

25 **Q Thank you.**

1 MS. PONDER: Peoples tenders Mr. Richard for
2 cross-examination.

3 CHAIRMAN FAY: Okay. Mr. Rehwinkel.

4 MR. REHWINKEL: Yes, thank you, Mr. Chairman.

5 EXAMINATION

6 BY MR. REHWINKEL:

7 Q And good evening -- good afternoon, Mr.
8 Richard.

9 A Good afternoon.

10 Q In addition to being an engineer, you have a
11 fairly sophisticated understanding of accounting and the
12 ratemaking process from your background in utility
13 regulation in the U.S. and Canada, is that right?

14 A I have knowledge, yes.

15 Q Okay. And in this case, you are here to
16 testify in support of the company's capital budget under
17 Issues 21, 23 and 27, is that right?

18 A Yes.

19 Q And you also support some of the ECT, or
20 engineering, construction and technology headcount
21 additions proposed in this case under Issues 41, 42 and
22 49; is that right?

23 A Yes.

24 Q Now, these headcount additions impact salaries
25 and benefits, but you are not here to address the costs

1 of the headcount, but rather the number of people to be
2 added, and the functions that support your
3 justifications for them, is that right?

4 A Yes.

5 Q You are the company witness designated to ask
6 -- to address the timing and level of efficiencies
7 related to the Work and Asset Management, or WAM
8 project, under Issue 19, right?

9 A Yes.

10 Q And I am going to ask you questions today in
11 hopefully four segmented areas aligned with just what I
12 am going to call CAPEX, but it's the general budget and
13 rate base issues.

14 WAM, your employee complement that you
15 support, and I do have questions for you about SeaCoast
16 as it impacts, or may impact the headcount additions.

17 A Okay.

18 Q With regard to the rate base issues, you
19 understand that the Commission must, among other things,
20 determine the proper level of plant in service using a
21 13-month average amount for 2024 using as a based upon
22 -- using, in part, based upon the capital expenditures
23 and plant additions; do you understand that?

24 A Generally, yes.

25 Q Okay. If we could go to Exhibit K3, which is

1 MFR A-3, please.

2 Now, you are not listed as a sponsor of this
3 document, this portion of the MFRs, but you sponsor MFRs
4 that roll up to this MFR, is that right?

5 A I believe so. Are these from my direct?

6 Q This is K-3, which is just the Executive
7 Summary.

8 A Okay.

9 Q Are you --

10 A I am not --

11 Q Okay. Do you have it on the screen there?

12 CHAIRMAN FAY: Schedule A-3 in the top
13 left-hand?

14 THE WITNESS: I believe so. Yes.

15 BY MR. REHWINKEL:

16 Q So all I wanted to do is just kind of, to set
17 the background here. In Column 5, under rate base
18 requested by company in current case, you see the, on
19 line four, gross utility plant is \$3,337,661,747, do you
20 see that?

21 A I do.

22 Q And on line 13, the resulting rate base, after
23 you run through all the additions and deductions to the
24 gross plant, is 2,366,788,452, do you see that?

25 A Yes.

1 Q So this is the rate base that your testimony
2 provides basically the capital budget support for, is
3 that right?

4 A Yes.

5 Q Okay. The \$3.33 billion amount of plant in
6 service proposed by the company and advocated, at least
7 in part by you, contains two distinct elements. One is
8 an embedded actual balance that includes the actual
9 spend since the last rate case through 12/31/2022, and a
10 second part, which is the purely projected amounts for
11 the years 20 -- 2023 and 2024, would you agree with
12 that?

13 A Yes.

14 Q Okay. You would also agree that our expert,
15 Mr. Kollen, has challenged the Commission's ability to
16 rely on that balance based on -- has not challenged the
17 Commission's abilities to rely on that balance based on
18 the historical -- let me withdraw that question.

19 We -- you agree that the Public Counsel has
20 not challenged the historical level of rate base through
21 the end of 2022, is that your understanding?

22 A That's my understanding.

23 Q But Mr. Kollen has challenged the Commission's
24 ability to rely on the overall balance based on
25 historical underruns in the actual plant in service

1 relative to budgeted amounts, is that your understanding
2 of his testimony?

3 A Yes.

4 Q Okay. And you are pushing back on that in
5 your testimony, is that right?

6 A That's correct, in my rebuttal.

7 Q Okay. So I would like to explore that for a
8 bit, and just to set the stage for this portion of the
9 testimony.

10 Would you agree with me that Mr. Kollen's
11 adjustment, if accepted by the Commission, would result
12 in a revenue requirement reduction of about \$4 million,
13 3.89 million, is that right?

14 A Yes.

15 Q And that is what the dispute is about related
16 to Issues 21, 23 and 27 related to the capital budget,
17 is that your understanding?

18 A Subject to check, yes.

19 Q Okay. There are impacts related to
20 depreciation expense, and deferred taxes, and
21 depreciation reserve, but that's not -- that's Ms.
22 Parson's area, not yours, right?

23 A That's correct.

24 Q Okay. Now, would you agree with me that
25 Peoples does not expect that the Commission should

1 accept its projected plant in service in CWIP balances
2 just because they are written down in the MFRs, do they?

3 A I believe that the Commission should evaluate
4 what our proposed capital plan is, and based on that,
5 would have an accounting result.

6 Q Okay. I would like to go to pages K213 and
7 K216, which are MFR schedules, I believe, that you
8 support. Oh, are we there?

9 Okay. So this is -- the first page we have up
10 here is the year-end 2023 projected rate base that
11 shows, among other things, projected plant additions, do
12 you see that?

13 A I do.

14 Q Okay. And that's on -- it looks like there is
15 a second line 34 there, but the last line 34 at the
16 bottom?

17 A I see that. Yes.

18 Q Okay. And under column -- it says additions
19 to plant in service, and you are a sponsor, in part, of
20 this exhibit, right?

21 A That's correct.

22 Q Okay. And specifically, this 550,582,924
23 number would be a number that you support, right -- you
24 provide support for?

25 A I believe so. Yes.

1 Q Okay. And then if we could go to 216, just --
2 I think we can just scroll down. This is the 2020 --
3 let me --

4 CHAIRMAN FAY: I am getting -- I guess, Ms.
5 Wessling, you are pushing them through?

6 MS. WESSLING: Yes.

7 CHAIRMAN FAY: Yes, Mr. Richard, are the when
8 he refers to these tables, are they populating for
9 you on the computer or are you scrolling down to
10 find them?

11 THE WITNESS: I accepted the pop-up.

12 CHAIRMAN FAY: Perfect.

13 THE WITNESS: So I think -- are we on 49 of
14 130 at this page number on the bottom?

15 MR. REHWINKEL: Yeah, it -- mine went there
16 and then it left, Mr. Chairman, so let me get to
17 that page.

18 Can you push it again? Okay. 216.

19 THE WITNESS: And to confirm, we are at 49 of
20 130? I don't see where the 216 is.

21 MR. REHWINKEL: Yeah. Mr. Chairman, the last
22 two times I have gone to that page, it flashed and
23 then it took me back to the home screen, so I don't
24 know if -- let me try to refresh here. I am having
25 an issue.

1 CHAIRMAN FAY: So, he is -- Mr. Richard, he is
2 referring to the top right of these pages, the
3 master and the case number. It says K216 in red in
4 the top right, that page. Do you see that?

5 THE WITNESS: No. 447 on the Bates, I can see
6 that. So for -- I think we are on the same page if
7 that's the --

8 CHAIRMAN FAY: Yeah, you are. I was just
9 referring to the -- there is a master number that
10 sometimes is being referred, which is in the top
11 right, but as long as you are -- as long as we
12 ensure you are on the same page up there, then we
13 are good.

14 THE WITNESS: Oh, there it is, okay. Thank
15 you. It was hidden.

16 MR. REHWINKEL: It was adding extra
17 characters, I apologize.

18 BY MR. REHWINKEL:

19 **Q** So on K2 216, which is 48 of 130 at the top,
20 do you see that? This is your -- this is the 2024
21 equivalent of the one we just looked at, right?

22 A Okay.

23 **Q** And the capital additions that are shown there
24 on in the bottom are the ones that you support, is that
25 right?

1 A Yes.

2 Q Would you agree with me that your testimony
3 **supports historical plant additions since the last rate**
4 **case up through today, and some projected through the**
5 **rest of the year in addition to 2024 projections, like**
6 **Dade City Connector?**

7 A Yes, that's correct.

8 Q **Okay.**

9 MR. REHWINKEL: Mr. Chairman, I would like to
10 pass out an exhibit.

11 CHAIRMAN FAY: Okay.

12 MR. REHWINKEL: This would be OPC 24. And
13 this is an MFR schedule from the last rate case.

14 CHAIRMAN FAY: Okay. I have us at 205, Mr.
15 Rehwinkel.

16 MR. REHWINKEL: Thank you.

17 I am having a heck of a time with exhibits.
18 Let me put that exhibit aside, Mr. Chairman, I
19 think that's the wrong one.

20 CHAIRMAN FAY: Okay.

21 BY MR. REHWINKEL:

22 Q **I will just ask it this way.**

23 **Mr. Richard, are you familiar with the fact**
24 **that there was -- in the last rate case, there was a**
25 **Blue Marlin project, an LNG project in Miami that was**

1 initially included in the case and then removed from the
2 case?

3 A I am not aware of whether or not it was in the
4 case, but I am familiar with the project.

5 Q Okay. And also, are you aware that that was
6 about 20, \$21 million in investment?

7 A That sounds generally about right.

8 Q Okay. And then there was an RNG project, New
9 River, about \$28 million, that was in -- proposed for
10 in-service in the 2021 test year, but was deferred until
11 later; are you familiar with that?

12 A Yes.

13 Q And you would agree with me that they were --
14 these projects were deferred because they were unable to
15 meet the in-service date that was originally projected?

16 A I am unsure of the drivers behind each of the
17 projects and why they were deferred. I am not sure if
18 it was a customer requirement or -- I know they were
19 deferred.

20 Q Okay. But Blue Marlin was a Peoples Gas
21 project to serve load, right --

22 A That's correct.

23 Q -- or demand?

24 A Yep.

25 Q Okay.

1 A It's the New River that I was referring to.

2 Q Yes. And New River was a project that was --
3 is New River even complete as we speak today?

4 A It is.

5 Q Okay. But it was completed this year?

6 A Yes.

7 Q Okay. So accepting, subject to check, that
8 those balances were 20 and 40 -- \$28 million, or about
9 \$48 million, those were asset additions that were
10 originally forecast in the budget but that did not make
11 it into rate base for rate setting, would you agree with
12 that?

13 A That's correct.

14 Q Do you believe that the company should -- the
15 Commission should merely rely on the company's track
16 record in meeting budget to actual, or making -- I
17 guess, in comparing the actual to budget performance in
18 terms of relying on your projected capital expenditures
19 in setting rates?

20 A No, I don't think it should be exclusively on
21 the track record. I think there is a variety of data
22 points that the Commission must consider as it thinks
23 about whether or not the company can meet its capital
24 budget. History is certainly one of those elements, but
25 it's also the information and evidence presented in this

1 hearing.

2 Q You would agree that the burden is on PGS to
3 demonstrate that the budget that underlies the
4 cumulative 2024 plant in service and CWIP balances, it's
5 the burden of the company to demonstrate that those
6 balances are reliable and that the circumstances do not
7 indicate that the actual achieved balance will be lower
8 than the company has projected?

9 A Can you repeat the question?

10 Q Yeah. That's probably a good idea.

11 You agree that it's the company's burden to
12 demonstrate that they will achieve the projected rate
13 base balances that are contained in the MFRs?

14 A Yes.

15 Q Would you agree with me that Emera, the
16 ultimate parent of PGS, has been under stress related to
17 its cash flow as reflected in investor ratings and
18 commentary?

19 A I am generally aware, yes.

20 Q Would you agree that this stress could have
21 the potential to impact the parent's ability to raise
22 funds without paying an extra premium in borrowing
23 costs?

24 A I think that's reasonable.

25 Q Okay. And you would agree that there is

1 pressure on the operating subsidiaries of Emera to
2 increase rate base in support of efforts to relieve that
3 stress?

4 A I am not sure I would draw that conclusion. I
5 am not sure.

6 Q Okay. Well, I would like to ask you to go in
7 the book one of the confidential books, and I want to --

8 MR. REHWINKEL: I am going to direct the
9 witness to confidential Exhibit 2C.

10 BY MR. REHWINKEL:

11 Q This is an exhibit that has been discussed a
12 good bit today, or in this hearing, and it is a excerpt
13 from a June 7, 2022, PGS strategy session, you agree
14 with that?

15 A Yes.

16 Q And you are familiar with this document,
17 right?

18 A I am.

19 Q Would you have been at this meeting?

20 A I was.

21 Q In a different role, but at the meeting
22 nevertheless?

23 A That's correct.

24 Q I would like you to hold this document while I
25 pass out another document, Mr. Chairman, it will be OPC

1 -- actually, OPC 72 is already passed out. So if -- do
2 you have that in front of you?

3 A I do.

4 MR. REHWINKEL: I think we've already given it
5 a number, 171?

6 CHAIRMAN FAY: Okay. That works, Mr.
7 Rehwinkel. Just bear with me one second, let me
8 make sure --

9 MR. REHWINKEL: All right.

10 CHAIRMAN FAY: Emera September, October.

11 MR. REHWINKEL: Emera investors presentation
12 September and October 2023.

13 CHAIRMAN FAY: Okay.

14 BY MR. REHWINKEL:

15 Q Do you have some general familiarity with this
16 document, Mr. Richard?

17 A Investor Deck, I am generally familiar with
18 them, yes.

19 Q Okay. This one came out, I think, within the
20 last two weeks. Are you aware of that?

21 A I see the date on it, yes.

22 Q I put a Bates number on it, but it might --
23 okay, OPC Bates 16. If you could turn to that page. Do
24 you see the OPC Bates number at the bottom right?

25 A Yes. Titled, Improving Credit Metrics?

1 Q Yes. And this is an Emera overall
2 presentation, correct?

3 A Yes.

4 Q Okay. So you would agree with me that in the
5 light blue box on the right-hand side, it says clear
6 path to measurable improvement in cash flow, and the
7 very first bullet point is new base rates across the
8 portfolio, would you agree with that?

9 A I am sorry, where are you looking? New base
10 rates across the portfolio. Yes, I see it now.

11 Q Okay. Do you agree with that?

12 A Yes.

13 Q Okay. And you would agree that it is a
14 reasonable conclusion to draw that the PGS -- the
15 pending PGS rate case is part of this new base rates
16 across the portfolio statement, right?

17 A Yes.

18 Q Okay. Does your organization prepare
19 information to submit to Emera to put together these
20 companywide presentations?

21 A From time to time.

22 Q Okay. On the next page of this document, at
23 Bates 17, do you see that title that says, Road to
24 Incremental Credit Metric Improvement?

25 A I do.

1 Q And under 2023, opportunities, it says,
2 deferral of capital to reduce financing needs, do you
3 see that?

4 A I do.

5 Q Okay. Do you have any specific or special
6 insight to what that's referring?

7 A I do -- no. No.

8 Q Okay. If PGS were to receive a rate increase
9 based on budgeted CAPEX that does not fully materialize,
10 would that circumstance achieve the same benefit that
11 deferring capital would for Emera?

12 A Do you mind repeating that?

13 Q Yes -- I mean, no, I don't mind.

14 If PGS were to receive a rate increase based
15 on the budgeted CAPEX that you have asked for in this
16 case, and then you don't meet that budget, in other
17 words, you don't put in all of the plant additions that
18 support the rate base that they base rates on, would
19 that gap in CAPEX spending, would it achieve the same
20 benefit that is described on OPC Bates 17?

21 A Yes.

22 Q Okay. So I asked you to go to 2C, so if you
23 could turn to Bates 3 in that document, please.

24 A Okay.

25 Q In this document -- this is a confidential

1 document, so I am the not going to try to press you to
2 read anything aloud, but if I asked you about something
3 that you believe you can read aloud, I will let you do
4 that if your lawyers will let you do that.

5 This document here -- now, we were talking
6 about an Emera document before. This is a PGS specific
7 document, would you agree?

8 A It is. Yes.

9 Q Okay. On the first line of that page, there
10 is a heading -- well, actually, there is a heading. Can
11 we read the heading aloud?

12 A Five-Year Long-Term Forecast Assumptions?

13 Q Yes.

14 A Yes, we can.

15 Q There is a number related to rate base growth,
16 a percentage number, do you see that?

17 A Yes.

18 Q Is that number a confidential number? It's
19 fine if it is, I am not --

20 A I am not sure.

21 Q Okay. Well, I think you should err on the
22 side of not disclosing then.

23 A Okay.

24 Q Okay. But we can see this is the five-year
25 forecast for change in rate base in terms of assumptions

1 that were made a little over a year ago in the
2 forecasting process, right?

3 A Agreed. Yes.

4 Q Okay. You would agree that this assumption
5 that we just talked about, this percentage change is
6 consistent with and reflects an Emera strategy that PGS
7 is charged with implementing, would you not?

8 A It's part of our growth profile, yes.

9 Q Okay. Would that be a yes, it is part of a
10 Emera strategy too -- or it supports an overall Emera
11 strategy?

12 A It supports the overall Emera strategy. Yes.

13 Q Okay. And in the blue box -- well, in the
14 last sentence of that header paragraph above the five
15 boxes there, do you see the last sentence? Is that
16 something that's general enough to be read aloud?

17 A Yes. The boxes below highlight other key
18 themes and assumptions that are integral to the
19 integrity of this plan.

20 Q Okay. And in the blue, in the middle, under
21 the word "capital" --

22 A -- yes.

23 Q -- there is a header phrase that has a number
24 and a statement, is that something that can be read
25 aloud?

1 A I will read part of it. Annual capital spend
2 supports -- the font is very faint -- supports
3 increasing rate base.

4 Q Okay.

5 A Yep.

6 Q Okay. You would agree that this phrase that
7 you just read, along with the number, and any numbers
8 that are related to it that might have changed, are an
9 important theme in the period of 2023 through 2027 for
10 PGS and Emera?

11 A For PGS and Emera, yes.

12 Q Would you also agree that for purposes of
13 achieving the strategic objective described here on page
14 Bates 3 in Exhibit 2C, as well as what we read in
15 Exhibit 171, the Emera document, that what is most
16 important is, in a rate case context, is how much rate
17 base the Commission approves and not necessarily how
18 much actual rate base PGS records on its books for the
19 test year?

20 A Can you repeat the question?

21 Q Yes.

22 So wouldn't you agree that for purposes of
23 achieving the strategic objectives that we talked in
24 these two documents, that matters most in a rate case
25 context is how much rate base in the test year the

1 Commission approves, and not necessarily how much actual
2 rate base PGS records on its books?

3 A Yes. I believe that's how the math works.

4 Q Okay. You would agree with me that plant in
5 service is not all that is included in rate base, right?

6 A Correct.

7 Q And I have used the phrase CWIP twice,
8 construction work in progress, and you know what that
9 is, right?

10 A Yes.

11 Q Some people call it CWIP, but for some reason
12 I can't. I call it the old way.

13 CWIP is a component of the CAPEX budget,
14 right?

15 A Yes.

16 Q Can you just tell me what your understanding
17 of CWIP is?

18 A It's capital that's in progress, excluding the
19 AFUDC.

20 Q Okay. Well, there is actually two types of
21 CWIP. There is CWIP that earns a carrying cost, or
22 AFUDC, and then there is CWIP that, by definition,
23 doesn't earn it, right?

24 A You are getting close to the degree in which I
25 can speak to this intelligently.

1 Q Okay. Do you agree that if CWIP is earning
2 AFUDC, that it is not included in the rate base unless
3 the CWIP becomes a plant addition in the -- before the
4 end of the test year?

5 A I believe we are at the point where Ms. Rachel
6 Parsons could probably better answer those questions
7 than I can.

8 Q Okay. But you do agree that CWIP is a
9 component, I think it's about \$24 million that you are
10 asking for in the test year, would you accept that,
11 subject to check?

12 A Subject to check, yes.

13 Q Okay. But putting aside the accounting
14 conventions and nuances related to CWIP, your support in
15 your testimony for the capital budget does include a
16 level of CWIP that you -- that you support, right?

17 A I believe it does.

18 Q Okay. With respect to how the CAPEX budget
19 supports the earnings of the company, would you agree
20 that one way that that happens, and probably the most
21 important way, is that plant in service that serves your
22 customers is included in rate base, and the company then
23 earns an equity return on it and depreciates it, creates
24 deferred taxes, all those other things; would you agree
25 with that?

1 A Generally, yes.

2 Q And you would also agree that it is important
3 for the company to synchronize the in-service date of
4 plant with the rate setting process so that it can
5 timely recover its costs in rates?

6 A Would you repeat that one again?

7 Q Yes.

8 Would you agree that it is also important that
9 the company is able to synchronize the in-service date
10 of plant additions with the rate setting process so that
11 it can timely recover its costs in rates?

12 A Yes, one impacts the other. Yes, one impacts
13 the other.

14 Q Okay. I guess I should say optimally, because
15 you are always putting plant in service, right?

16 A Continuously.

17 Q You want to do it, though it is important if
18 you have major chunks of plant additions, you want to
19 make sure that you have rate recovery around them, or a
20 reasonable range that you can recover those costs, is
21 that your understanding?

22 A Yes, generally. Yep.

23 Q Some of the plant additions that you have, and
24 you sort of alluded to in an answer you gave me earlier,
25 is that there are certain plant additions that are

1 what's called customer backed. And for those, the
2 company is kept whole as long as the contract revenues
3 from the customer are timely received at the time of or
4 soon after the plant goes into service for the customer;
5 is that right?

6 A Yes.

7 Q Okay. So you can get customer backed plant in
8 service and get revenues from the customer irrespective
9 of the timing of a rate case --

10 A Yes.

11 Q -- if you do it right?

12 A Yes.

13 Q And I asked you this, and you may not know it,
14 given your answers about CWIP, but for plant that is not
15 in service but is eligible for AFUDC earnings during the
16 construction period, the company is made whole as long
17 as it earns and accrues AFUDC during the construction
18 period, and then timely recovers the accumulated costs
19 in a future rate case or within the earnings band
20 established by the Commission?

21 A I have a general understanding of AFUDC, and I
22 believe that's how it works. Yes.

23 Q Say again.

24 A I said, yes, I have a general understanding of
25 AFUDC, and I believe that's how it works.

1 Q Okay. So in this case, in the test year, the
2 plant related portion of the test year rate base will
3 include actual plant in service and plant in service
4 that is projected to be in service during or before the
5 end of 2024?

6 A Can you repeat, please?

7 Q Yes.

8 The plant related portion of the test year
9 rate base will include your actual plant in service plus
10 plant in service that is projected to be in service
11 during or before the end of 2024?

12 A Yes.

13 Q And this is important, the 2023 and 2024
14 projected amounts of plant are purely forecasted, right,
15 in the MFRs?

16 A They are, unless there is a larger project
17 that has already started. So it's a forecast of when
18 that project would be completed, so in some senses,
19 there are projects that are ongoing.

20 Q Okay. But what becomes plant in service will
21 be only plant that is projected to close to plant in
22 service as a plant addition prior to the end of the test
23 year, is that right?

24 A Correct.

25 Q And you would agree with me that some portions

1 of AFUDC earning CWIP might be excluded from rate base
2 for part of the test year, but if they go into service,
3 say, in May of 2024, they start earn -- they become part
4 of plant in service and, thus, are a part of rate base
5 for that portion of the test year, would you agree with
6 that?

7 A Can you go over it one more time?

8 Q Yes. So we've agreed that plant -- that CWIP
9 that earns AFUDC, and usually that's larger projects
10 that take more than a year to complete, right?

11 A Yes.

12 Q If that is a CWIP earning -- I will just use
13 an example -- \$10 million project and it's earning
14 AFUDC, and it's earned \$1 million of AFUDC. So you have
15 got an \$11 million balance through May 31st. On June
16 1st, it goes into service. That \$11 million goes to
17 plant, and for the half of the year, generally, it is
18 part of rate base?

19 A I believe so, but, again, we are getting to a
20 point where --

21 Q Okay. And I think you have already answered
22 this, but just to confirm. It's your understanding that
23 Mr. Kollen has not challenged any actual plant in
24 service element of your rate base, is that your
25 understanding, subject to check?

1 A Yes, his was general.

2 Q Okay. What he has challenged is the component
3 of plant in service that is projected for 2023 and 2024,
4 and included in the test year, is that your
5 understanding?

6 A Correct.

7 Q And it's a portion of that, right?

8 A Yes.

9 Q He challenged a piece of -- a percentage of it
10 for '23 and then a percentage of it for '24, right?

11 A That's right.

12 Q Okay. Would you agree with me that if, in
13 setting rates, the Commission relies on a projected
14 plant in service and CWIP amount that is higher than the
15 actual balance will end up being, and then approves that
16 level of rate base to set rates, all other things being
17 equal, rates would be excessive?

18 A In that example, yes.

19 Q Okay. And you would agree that it would not
20 be the goal of regulation to set rates based on an
21 inaccurate rate base, would you?

22 A Can you repeat that one?

23 Q You would agree that it would not be the goal
24 of regulation, or this commission here, to set rates
25 based on an inaccurate rate base, would you?

1 A Correct. Yes.

2 Q Okay. And you would agree that in this case,
3 the Commission should strive to get it right from the
4 start, wouldn't you --

5 A Yes.

6 Q -- in terms of setting rate base?

7 A Yes.

8 Q Okay. You would agree with me also that the
9 company has experienced delays in in-service dates of
10 projects in the past, would you not?

11 A It has.

12 Q You would also agree with me that this
13 phenomenon, if you want to call it that, has even
14 occurred in the context of this rate case?

15 A I believe -- yes, I believe so. We may have
16 had some that had -- that had been delayed.

17 Q Okay. I mean, there have been some RNG
18 projects --

19 A Yes.

20 Q -- at least at the time the case was filed
21 that were -- that had delayed in-service dates, right?

22 A That's correct. Yes.

23 Q It was -- there is a large project in the
24 Jacksonville area that has experienced some delays too,
25 right?

1 A That's correct. Yes.

2 Q Okay. Is that confidential?

3 A We can -- the name, FTG to JEF, Jacksonville
4 Export Facility, but the commercial terms would be
5 deemed confidential.

6 Q Okay. But that project has experienced some
7 delays, right?

8 A It has.

9 Q And there is also a project that's in the rate
10 case request, I referred to it earlier, the dates
11 Sumterville-Dade City Connector, that has experienced
12 delays throughout the life of that project, right?

13 A Yes, throughout the life of the project.

14 Q Let's, if we can, go to OPC 7C, it should be
15 number seven in your book there. Are you familiar with
16 this document?

17 A I am not, but I have a general understanding
18 of what it represents.

19 Q Okay. Have you seen it before?

20 A I have not.

21 Q Well, it's confidential, and I would like to
22 ask you, if you can answer, there is two types of
23 projects that are listed here. In the top box there are
24 three projects listed, and is there anything about the
25 middle row of that top box that's confidential?

1 A I mentioned the name of that project earlier,
2 FTG to JEF.

3 **Q Okay.**

4 A And I would say that the dollar amount would
5 be confidential.

6 **Q Okay. Has that dollar amount changed in terms
7 of when it was originally planned?**

8 A Not that I am aware of.

9 **Q This project is not part of rate base at this
10 time, right?**

11 A That's correct.

12 **Q Okay. Is it confidential to state on the
13 record the duration of the delay that you have
14 experienced?**

15 A I don't believe so. So it's a delay of one
16 year.

17 **Q Okay.**

18 MR. REHWINKEL: Yes, Mr. Chairman, I guess

19 I --

20 CHAIRMAN FAY: 205, Mr. Rehwinkel, because we
21 didn't put in -- you didn't use your excerpt of the
22 MFR Schedule G-2, so 205.

23 MR. REHWINKEL: Thank you.

24 (Whereupon, Exhibit No. 205 was marked for
25 identification.)

1 BY MR. REHWINKEL:

2 Q You would agree that the EC&T organization is,
3 or has been doing work in support of the evaluation and
4 agreement phase of that project, would you not?

5 A No. We haven't been part of the agreements.
6 We have been part of the team who has helped develop the
7 costs behind the project.

8 Q Okay. And cost estimation is part of what
9 would be considered evaluation and agreement phase,
10 would you agree with that?

11 A Yes, the cost piece. Yes.

12 Q Okay. The agreement piece, I guess that's
13 more in the business development side of the company?

14 A That's correct.

15 Q Okay. That's sort of the legal stuff,
16 contractors, arrangements all kind of relationship
17 issues?

18 A And the revenue side as well.

19 Q Okay. So I want to talk a little bit about
20 how the capital -- or the CAPEX budget is developed,
21 because I think your testimony focuses on, in both
22 direct and rebuttal, it focuses on the qualities that
23 the company brings to bear in developing the capital
24 budget, would you agree with that?

25 A Yes.

1 Q Okay.

2 MR. REHWINKEL: So, Mr. Chairman, I would like
3 to distribute another exhibit, and I guess this
4 would be 206, and this is OPC 35.

5 (Whereupon, Exhibit No. 206 was marked for
6 identification.)

7 BY MR. REHWINKEL:

8 Q This is an interrogatory response document,
9 and I have, I think, 81 through 85 in this packet. Are
10 you familiar with this document?

11 A I am.

12 Q Okay. Would you be familiar with -- if you go
13 to -- what I would like to direct you to is OPC 4, 5 and
14 6, starting on OPC 5.

15 A Okay.

16 Q This is the 2023 budget schedule, would you
17 agree with that?

18 A Yes.

19 Q Now, this page shows the timeline for the
20 setting of the 2023 budget both O&M and capital that
21 started, at least in this formalized fashion, in June of
22 2022; would you agree with that?

23 A Yes.

24 Q In this process, at least for 2023, ended in
25 October with a business review meeting with Emera; is

1 that right?

2 A Yes.

3 Q Okay. Would you agree with me that in
4 November of 2022, the Emera board met and approved the
5 2023 PGS budget for the then upcoming year?

6 A No. The PGS, slash, Tampa Electric board
7 would have met, not the Emera board.

8 Q Okay. But that would have been in November?

9 A Yes.

10 Q Okay. When would the Emera board have met to
11 approve this budget?

12 A They do not approve PGS's budget.

13 Q Okay. And just for context, the 2024 budget
14 was approved in March of 2023, after the MFRs were
15 completed and right before they were filed on April
16 10th, would you agree with that?

17 A It was earlier, yes.

18 Q What's that?

19 A Yes.

20 Q Okay. Going back to the timeline here for
21 2023, you would agree that it appears that on August
22 12th of 2022, that the O&M and CAPEX budgets for the
23 year 2023 were in a mostly final status?

24 A Mostly, but I also see a line for September
25 8th showing that CAPEX budget inputs revised based on

1 the eight plus four and Power Plan, so I assume we would
2 have had an opportunity to make some final changes
3 there.

4 Q Okay. So I -- that was my next question,
5 which is that reference to eight plus four is an
6 indication that the company is, or was at that time,
7 exploring a possible refinement of the 2022 CAPEX budget
8 based on the first eight months, and perhaps a
9 reforecast of the rest of 2022; is that how it works?

10 A Yes, that's my recollection.

11 Q Okay. So all you are doing is saying what
12 we've decided for the capital budget for 2023, if we've
13 encountered something since we started this process that
14 would change our assumptions or our knowledge about what
15 we are going to do, let's bake that into the budget so
16 it's more accurate, is that fair?

17 A Yes.

18 Q Okay. But that eight plus four process is not
19 done for the 2024 budget at this time, is that right?

20 A No, because we did it earlier for filing for
21 the --

22 Q I am here in 2023. Let's -- let's do
23 something if we can. Let me pull that question back and
24 take you through a little bit nor of the scenario.

25 A Sure.

1 Q I think if you look at two dates, July 14th,
2 2022, and August 12th, 2022. And if you look at that
3 for both 2023 and 2024, it appears that the '23 and '24
4 budgets are kind of synchronized in their preliminary
5 finalization, is that accurate?

6 A Yes, I follow you. Yep.

7 Q Okay. But the 2023 budget has this eight plus
8 four process that is applied to it in September, as you
9 mentioned; is that right?

10 A Yes.

11 MS. PONDER: Mr. Chairman, I would just like
12 to object to this line of questioning. Ms. Parsons
13 is the proper witness for the budgeting process.

14 CHAIRMAN FAY: Mr. Rehwinkel, anything to add?

15 MR. REHWINKEL: Well, I think we just went
16 through an entire preliminary process that we
17 qualified Mr. Richard as responsible for the CAPEX
18 part of the budget.

19 CHAIRMAN FAY: Yeah, and, Mr. Rehwinkel, I am
20 not trying to speculate your line or anything, but,
21 I mean, it appears that you are making the
22 comparison of these years, and it appears, Mr.
23 Richard, you feel comfortable responding to what
24 those dates are set as what they say here?

25 THE WITNESS: I would be more comfortable if

1 Rachel Parsons would speak to them to -- I am going
2 along as we are going through the document, but she
3 can speak to it a lot better than I can.

4 CHAIRMAN FAY: Okay. Mr. Rehwinkel, I mean,
5 he can answer to the best of his abilities, but if
6 Ms. Parsons is a better witness to answer those
7 questions, then -- you can determine if those
8 answers are sufficient, but he can only, obviously
9 answer within his knowledge.

10 MR. REHWINKEL: It takes more time to go
11 through his direct and his rebuttal to see what's
12 testifying to. But I am entitled to -- he is the
13 witness on the capital budget, and so he is -- I am
14 taking him through how the capital budget was
15 developed, and that the measures that were
16 implemented by his organization to make that budget
17 commission worthy. Because they are asking you to
18 rely on what they did for this budget to set rates
19 that my clients pay for.

20 And this is not a hunt the ball situation. I
21 know what Ms. Parsons testifies to. She doesn't
22 testify to capital budget, and the elements of the
23 capital budget, the steel in the ground that goes
24 into that. Mr. Richard does.

25 CHAIRMAN FAY: Yeah. And, Mr. Rehwinkel, to

1 your point, I don't have a problem if the answers
2 to this are not responsive and you want to point to
3 his testimony to elaborate on that. I think that's
4 -- there is no problem with that.

5 MR. REHWINKEL: You know, I set expectations
6 at beginning, and this is go to take a little bit
7 of time because this is a \$4 million issue that
8 we've already established --

9 CHAIRMAN FAY: Mr. Rehwinkel, I have ruled in
10 your favor and you are still going.

11 MR. REHWINKEL: Okay. Thank you.

12 CHAIRMAN FAY: So go ahead.

13 MR. REHWINKEL: I will get some coaching from
14 Mr. Trierweiler on that tomorrow.

15 Okay. Thank you, Mr. Chairman.

16 BY MR. REHWINKEL:

17 **Q And thank you for your patience, Mr. Richard.**

18 **Let's see, I think where I was, was we agreed**
19 **that '23 and '24 budgets were kind of generally fixed**
20 **through this, these two dates, am I right about that?**

21 A Yes.

22 **Q Okay. Would it be fair for the Commission to**
23 **conclude that after July 14th and August 12th**
24 **activities, that the capital budget for the test year**
25 **was essentially simultaneously created from the**

1 components of '23 and '24, plus the actual amount that
2 was in 2022?

3 A Do you mind repeating that so I can follow the
4 dates on each of the pages?

5 Q Okay. So I guess we can just use the second
6 date of August 12th. On August 12th --

7 A Uh-huh.

8 Q -- business planning completed CAPEX budget
9 final impacts in Power Plan, do you see that?

10 A I do.

11 Q And on August 12th for 2023, it says:
12 Business planning complete CAPEX budget final impacts --
13 inputs in Power Plan, do you see that?

14 A Yes, I do.

15 Q So Power Plan is your accounting software for
16 your -- for your plant accounts, both CWIP and plant in
17 service, right?

18 A Yes.

19 Q Okay. And Power Plan basically feeds into the
20 MFRs, right?

21 A Yes, that's where they pulled the information
22 from to be able to create the MFRs.

23 Q Okay. So when these inputs were put into
24 Power Plan on August 12th, for the most part, the budget
25 was finalized for '23 and '24 with, as you have

1 indicated, some potential refinements throughout the
2 year; is that right?

3 A That's correct.

4 Q Okay. So the Commission could look at that
5 date, August 12th, 2022, and see that that's when the
6 CAPEX budget that makes up rate base became more or less
7 final?

8 A Yes, with the opportunity to make final
9 adjustments in September.

10 Q Okay. Was this process undertaken --
11 normally, you just do each year at a time. The '23
12 budget will be done in the summer of '22, the '24 budget
13 would be done in the summer of '23, you are doing them
14 almost right now, except for there being a rate case,
15 right?

16 A That's correct.

17 Q Okay. So you had to do them together?

18 A Yes.

19 Q And that means bringing one CAPEX budget up,
20 advancing that process a year ahead of when it would
21 normally be done?

22 A That's correct.

23 Q Is it your understanding, if you know, whether
24 this process was adapted from the 2020 rate case? Is
25 that how it was done then?

1 A I am not aware.

2 Q Okay. All right. Let's go to your testimony,
3 direct, at D5-298, if we can. And I want to -- this is
4 page 39 of your testimony.

5 A Okay.

6 Q Okay. Do you have that?

7 A I do.

8 Q All right. Starting on line 25, this talks
9 about RRE projects since the last general base rates
10 proceeding, do you see that?

11 A Yes.

12 Q Okay. Now, for each specific project that you
13 describe in this section, I think there is, like, four
14 or five pages that you talk about several projects,
15 right?

16 A Correct.

17 Q And tell the Commission what RRE means?

18 A RRE?

19 Q Yeah.

20 A Reliability, resiliency and efficiency
21 projects.

22 Q Okay. You would -- you testify, for example,
23 on page 40, lines nine through 12, that these four
24 projects were engineered, designed and constructed using
25 the processes previously described are prudent and

1 should be included in rate base in this proceeding,
2 right?

3 A That's correct.

4 Q Okay. So you are asking for a prudence
5 determination because they kind of fell in the gap
6 between the 2021 test year and the 2024 test year, so
7 you need basically the Commission to bless them?

8 A Yes. Correct.

9 Q And just to clarify here, you mentioned the
10 Dade City Connector on page 40, lines 18 through 22. Do
11 you see that?

12 A Yes.

13 Q Okay. I will call that DCC, would you
14 understand that?

15 A Sure.

16 Q Okay. You say this project was, on line 19
17 and 20, included in the 20 -- in the settlement
18 agreement that was resolved in that case, meaning the
19 last rate case?

20 A Yes.

21 Q Okay. Now, you are asking for a prudence
22 determination in this case. You are not saying that it
23 was blessed as being prudent in 2020, right, because it
24 wasn't even built then, right?

25 A I believe that's the case, correct.

1 Q Okay. The way it was included was it was
2 mentioned in terms of being a condition precedent to
3 using the \$8 million piece of the \$34 million
4 depreciation credit, right?

5 A Yes.

6 Q Okay. So the prudence determination is now,
7 not back then?

8 A Is what?

9 Q Is now, not back then?

10 A Yes.

11 Q Okay. I think I have this question written
12 down later, but let me just get to it right now.

13 The Dade City Connector, I have asked you
14 before about it, because there is -- it has to be done
15 by the end of this year in order for that \$8 million to
16 be usable, right?

17 A Yes.

18 Q And I believe you have told me in the past
19 that October, early October is the expected in-service
20 date. And I wanted to ask you, given that Hurricane
21 Idalia went through the area, is there any change in
22 that plan?

23 A Our in-service date is affirmed November 8th.

24 Q November 8th?

25 A Yes.

1 Q Okay. How will the Commission know that
2 November 8th and came and went and the plant went into
3 service?

4 A I am sure we could share that information once
5 it has.

6 Q Okay. All right. But even if it doesn't go
7 in then, you still have until the end of the year to get
8 it in without any ramifications, right?

9 A That's correct.

10 Q Okay. All right.

11 MR. REHWINKEL: Mr. Chairman, I would like to
12 pass out another exhibit, and this is go to be --
13 actually, we can do two at one time. This would be
14 OPC 25 and 26. And these are excerpts from the
15 2020 direct testimony of Rick Wall and Sean
16 Hillary.

17 CHAIRMAN FAY: Okay. So we will label --
18 let's see, I have Sean Hillary first in my pack.
19 Mr. Rehwinkel, which one do you want to do first?

20 MR. REHWINKEL: Yeah, 25 would be Sean
21 Hillary, yes.

22 CHAIRMAN FAY: Is that the one you referred to
23 first?

24 MR. REHWINKEL: Yes, sir.

25 CHAIRMAN FAY: Okay. We will label that 207

1 and then Rick Wall, 208.

2 MR. REHWINKEL: Okay.

3 (Whereupon, Exhibit No. 207 & 208 were marked
4 for identification.)

5 BY MR. REHWINKEL:

6 Q You are familiar with Mr. Wall and Mr.
7 Hillary?

8 A I am.

9 Q Okay. Was Mr. Wall -- I know the titles were
10 a little different, was he kind of your predecessor?

11 A Yes.

12 Q And Mr. Hillary would have been Ms. Parsons
13 predecessor?

14 A That's correct.

15 Q Okay. So I just would like to get you to turn
16 to OPC 3 of Exhibit 206 -- 207, which is Mr. Hillary's
17 testimony. And all I have included there is the date of
18 that testimony of June 8th of 2020, and then page 83,
19 which is an exhibit that he attached. Do you see that?

20 A I have it. Yes.

21 Q Okay. So what I wanted to understand here is
22 on lines 61 and 62, these are the Miami Storage Blue
23 Marlin growth project, it shows an in-service date of
24 6/30/2021, and it shows about \$20 million in 2020 and
25 '21 of CAPEX, do you see that?

1 A I do.

2 Q And then the RNG project on line 62, with an
3 in-service date of June 30th, 2021, and \$28 million of
4 CAPEX. Do you see that?

5 A I do.

6 Q Okay. So this would serve as my check on the
7 subject to check earlier as \$48 million, would you agree
8 with that?

9 A Right. Yes.

10 Q Okay. And we see, on line 51, it says -- I am
11 sorry. On line 59, Sumterville-Dade City Connector
12 growth project, and it has an in-service date of May 31,
13 2022. Do you see that?

14 A I do.

15 Q Okay. Now, that project would not have been
16 in rate base because it as an in-service date at that
17 time outside the test year, right?

18 A That's correct.

19 Q And then -- so you would agree with me that
20 these three projects did not meet their in-service date
21 that was projected in the last rate case, right?

22 A That's correct.

23 Q Can you look at line 48? I know I was going
24 to ask you to break these up and look at WAM separately,
25 but I want to understand, it says, PGS Work Management

1 System sustaining, and has of 12/31/22 in-service date
2 with about \$2.5 million in 2020 and about \$12 million in
3 2021. Do you see that?

4 A I do.

5 Q Is that WAM?

6 A It is.

7 Q Now, that in-service date was not met also,
8 right?

9 A No. Our Work and Asset Management project had
10 two releases, and subsequently we had 2.1 releases. So
11 the first release was November of 2022. The second
12 release was May of 2023, and then the last release is
13 coming up this month.

14 Q Okay.

15 A So it's different than this date.

16 Q Okay. We'll talk about that later on.

17 So is the RNG project that's -- that was in
18 2020, was that the New River project?

19 A I am not sure which project this one refers
20 to.

21 Q Okay. Was there a project in Hillsborough
22 County that was underway at that time?

23 A I am unsure.

24 MR. REHWINKEL: Okay. Let's, if we can, Mr.
25 Chairman, 16C I think it may have already been

1 used, identified as an exhibit, was it? No.

2 CHAIRMAN FAY: I do not have it identified
3 yet, Mr. Rehwinkel.

4 MR. REHWINKEL: All right. 16C, we would like
5 to just ask people to turn to that in the book.

6 CHAIRMAN FAY: Okay. We are going to mark
7 that as 209.

8 (Whereupon, Exhibit No. 209 was marked for
9 identification.)

10 BY MR. REHWINKEL:

11 Q This is --

12 A Are we in the red binder?

13 Q Yes, I am sorry. Tab 16, if you will. And I
14 want you to turn to Bates 40.

15 This is Mr. O'Connor's -- portions of Mr.
16 O'Connor's -- I guess it's all of his deposition --

17 A Okay, I am there.

18 Q -- from that period and direct you to the
19 little pages there, page 154 and, 155 and just ask you
20 if you could review the bottom of 154 and a little bit
21 of the 155 and see if you can agree with me that that
22 was New River?

23 A Starting on line 20 of page 154?

24 Q Yes, sir.

25 A Yes.

1 Q All right. I think we can leave that exhibit.
2 I just needed to verify that.

3 CHAIRMAN FAY: Okay.

4 BY MR. REHWINKEL:

5 Q Dade City Connector, is that project \$10
6 million over-budget?

7 I -- that's a bad question, let me withdraw it
8 and ask you this: Is that project \$10 million -- coming
9 in \$10 million more than it was originally conceived at?

10 A No. There is a little bit of history behind
11 the Dade City Connector project, and if I may provide a
12 little bit of context --

13 Q Yeah, please.

14 A -- it may help answer the question.

15 So the project, which was mentioned in
16 previous documents referenced, was approved in November
17 of 2019 for a cost of 69 million. During that time, as
18 we advanced the project, we were in periods of very high
19 inflation. It was during the time of the pandemic.
20 Land costs skyrocketed. Our labor costs construction
21 services, everything really changed on us, and so we
22 took that project back to our board, we revised the
23 budget. We had tried to identify savings in terms of
24 the size of pipe. Could we increase pressure? Could we
25 reduce the size of pipe? Could we use public land

1 versus private land? And based on that analysis, we
2 went back to our board and had it approved, in October
3 of 2021, with a new cost of 95 million, which included
4 contingency with an in-service date of December of 2023.

5 Now that project, as we have executed it, the
6 team has done a good job mitigating some of the risks in
7 how we estimated, how we engaged our contractors and
8 identifying potential areas where there could be change
9 orders, and the project -- it looks like our forecast
10 will deliver around \$74 million, so it's five to \$6
11 million more than what we thought in 2019, but nearly
12 20 million less than the \$95 million budget from 2021.

13 Q Thank you.

14 And if I could get you to go to what's exhibit
15 208, I think, Mr. Wall's testimony. You would agree --
16 if I could take you to Bates page three.

17 A Okay.

18 Q This is Mr. Wall kind of talking about capital
19 expansion projects like you are talking about those
20 projects this time around, right?

21 A Yes.

22 Q But he also mentioned the Miami LNG project,
23 which is the Blue Marlin there. You can see that on
24 lines 16 through 20. And he testified at the bottom of
25 the page there that each project was identified in

1 Peoples' IRP process is necessary and cost-effective.

2 Do you see that?

3 A I do.

4 Q Okay. Now, that IRP process did not have
5 anything to do with the projects would come in on time,
6 right?

7 A That's correct.

8 Q Okay. And we see on the next page, at OPC 4,
9 the reference on line 25. He is testifying in support
10 of what it says is Work Asset Management, but that's
11 WAM, right?

12 A Yes.

13 Q Okay. So this testimony was filed in June of
14 2020, right?

15 A Yes.

16 Q Okay. The WAM process would have been planned
17 as far back, I guess even before 2020, maybe in 2019?

18 A '18, '19. Yes.

19 Q Okay. I don't do this often, but on the next
20 page, Bates 5, I just have accuser at this question. He
21 mentions drones in this testimony in 2020. Is there
22 anything -- are drones a thing in 2024?

23 A They are not extensively used.

24 Q Okay.

25 A We've done a few pilots where perhaps for

1 bridge inspections, instead of putting a boat in the
2 water, we could use drones to inspect, but it's been
3 fairly limited in its deployment.

4 Q Okay. And so there is nothing in terms of
5 using drones that you have planned that's going to give
6 you any kind of efficiency gains of any material amount?

7 A We haven't defined that opportunity, no.

8 Q All right. So you have testified to the
9 Commission that there have been capital budgeting and
10 management in governance process changes at PGS to
11 address issues that may have existed in the capital
12 budgeting and asset management in the past?

13 A Yes.

14 Q Okay. So if I could take you to your
15 testimony at E3-70?

16 A Direct or rebuttal?

17 Q I think we are in rebuttal. If it says E,
18 it's going to be rebuttal.

19 MR. REHWINKEL: And I apologize, Mr. Chairman,
20 let's see, I guess this is -- before this I went
21 and updated my page numbers to the Case Center and
22 I took out all of my paper numbers, and so I am at
23 a little bit of a disadvantage.

24 BY MR. REHWINKEL:

25 Q So I guess we are on your page three. If I

1 could take you to lines 12 through 18. Do you see that.

2 A I do.

3 Q Okay. All right. You -- at this portion of
4 your testimony, you fault Mr. Kollen for failing to
5 recognize the capital governance changes the company has
6 made that has improved their capital budgeting process,
7 capital spending controls, and substantially reduced the
8 variances experienced between budget and actual capital
9 additions, is that right?

10 A Correct. Yes.

11 Q That would mean that you fault him for not
12 recognizing those changes as they impact the 2024 test
13 year, right?

14 A Correct.

15 Q And you offered this testimony in support of
16 the capital budget that is the major driver in the test
17 year rate base, right?

18 A Yes.

19 Q And if we could go to just, I think the next
20 page down, E3-71.

21 A Page four?

22 Q Yes, page four.

23 So you state here -- well, the question asked:
24 Has the company improved its capital governance and
25 management process and controls over the past five

1 years? And you say yes. Do you see that?

2 A Which -- yes. Which lines?

3 Q I am sorry, line one through five.

4 A Yes. Yep.

5 Q Okay. And you continue on and say that
6 Peoples has made some improvements -- has made
7 improvements to the capital governance and budgeting
8 process for residential and commercial customer
9 additions, including distribution ticket work and
10 distribution funding projects less than \$1.5 million.
11 That's generally the blanket work order process you are
12 talking about there, high volume work?

13 A It is, but did you say distribution ticket
14 work?

15 Q If I did, I probably shouldn't have.

16 A So it's -- yes, these are typically blanket
17 projects.

18 Q Distribution funding?

19 A Yes.

20 Q Okay. I am sorry.

21 And then you continue on. It says: The
22 company has also made similar improvements for the large
23 capital projects. Do you see that?

24 A Yes.

25 Q All right. So this section all the way down

1 to page 14 covers both high volume work and major
2 project work that you say that you have made governance
3 and process changes as it would affect the test year?

4 A Yes.

5 Q Okay. You said, beginning on line 18, that
6 Peoples built a new budgeting tool, do you see that?

7 A Yes.

8 Q Okay. And that's a budgeting tool that would
9 be primarily designed for doing the high volume or
10 blanket work order type capital work, right?

11 A That's correct.

12 Q Okay. Let's go, if we can, back to page in
13 your direct testimony at page -- pages 10 through 11,
14 please, which is D5-270. I probably should push it
15 back, yeah, to page 10, starting on line 20.

16 A Okay.

17 Q So starting on line 20, you are continuing on
18 a thought there, and you ask, what other process --
19 processes and controls does Peoples use for large growth
20 and RRE projects. Do you see that?

21 A I do.

22 Q And you say the company uses more governance,
23 controls and rigor in design and construction for the
24 higher dollar value, large growth and RRE projects. Do
25 you see that?

1 A I do.

2 Q And then you continue on, on page 11, it says:
3 The company applies a class design estimate process and
4 decision stage-gate approach for larger projects. And
5 you continue to explain what the class process is,
6 right?

7 A Yes.

8 Q Okay. Now, this testimony in your direct, and
9 what we reviewed before we went there in your rebuttal,
10 together, you are telling the Commission that you put
11 processes in place that will -- that did impact the 2023
12 and 2024 CAPEX budgets, is that fair?

13 A Yes.

14 Q If we could go to D5-291, about 20 pages, it
15 must be in the thirties, page 32. And if I could take
16 you to lines 21 through 25.

17 A 21 to 25 on 32?

18 Q Yes.

19 A Okay.

20 Q So it starts there, the full sentence starts:
21 Once a project is included in the capital budget, the
22 ECT teams -- the ECT team continues to refine the design
23 of the project and its cost estimates using the class
24 estimating and gating process described above until the
25 design of the project and cost estimates are

1 construction ready. Do you see that?

2 A I do.

3 Q Okay. The process that we talked about back
4 on pages 10 and 11, isn't it true that those processes
5 were not in place before the dates that we talked about
6 back on the budget timeline document, they were not in
7 place before that budget was set?

8 A No, they were in place -- not in place
9 formally. We formalized them into a document that would
10 have been completed after the budget dates that we
11 discussed.

12 Q Okay. But one of the elements of those
13 governance processes was this class estimating process
14 that we just talked about?

15 A Correct.

16 Q Now, isn't it true that you have testified
17 before that the class estimating process was not used
18 for any major projects that were included in the test
19 year?

20 A The class estimating process was used -- it
21 wasn't formalized, but it was used as a guide for the
22 creation of the budget. We've improved it and
23 formalized it in September of 2022 and created the
24 document that's -- that I provided in my late filed
25 request.

1 Q Okay. And -- so since you offer this class
2 process and the other governance issues, or measures
3 that we talked about as support for the accuracy of the
4 budget, it would be a fair exercise, would it not, for
5 the Commission to review these processes that you have
6 called the capital management improvement plan in
7 determining what the process improvement you talk about
8 in your testimony means that the test year CAPEX budget
9 is reliable, would you agree?

10 A Yes.

11 Q Let's go, if we can, I think, to Tab 4 in your
12 book. This is 174, but it's OPC 4C. And if I could get
13 you to turn to pages, Bates pages 11. See, I don't
14 think I have asked you about this document. You are
15 familiar with this document, the February 9, 2023,
16 regulatory update?

17 A Yes.

18 Q And I have included an excerpt, so it's not
19 the whole document.

20 So if we go to pages 11 and 12.

21 A Yes.

22 Q All right. This is a confidential document,
23 so I am not going to ask you to vocalize any
24 information, but if I ask you a question and you can
25 read anything out loud --

1 A Okay.

2 Q -- I appreciate it, but otherwise you are
3 completely free to --

4 A Sure.

5 Q -- maintain confidentiality.

6 A Uh-huh.

7 Q You see first -- of all, this is Capital
8 Management Improvement Plan. That's a formal process
9 that your organization developed in PGS, right?

10 A Yes.

11 Q And if you could look at the first -- the
12 second paragraph that starts in 2022. Do you see that?

13 A I do.

14 Q Could you review that and tell me if any of
15 that could be vocalized?

16 A Yes. So in 2022, PGS designed and implemented
17 a new estimating process for estimating transmission
18 projects, and designed and implemented a new process to
19 budget high volume growth with results embedded in the
20 2020 budget. PGS also designed a new capital governance
21 process and supporting resource requirements, which will
22 be implemented in 2023.

23 Q Okay. So are you saying that the -- the high
24 volume growth process is embedded in the budget, or
25 everything on this page is embedded in the '23 and '24

1 **budget?**

2 A The new budgeting tool that we had for high
3 volume work is embedded in the 2023 and 2024. We made
4 some changes to our large estimating process for large
5 projects, so the class estimating. Those improvements
6 were formalized in a document that we published in
7 September 2020.

8 Q Okay. So there is a reference in the -- there
9 is a long vertical bar kind of at the bottom right
10 quadrant of this page, and it says supported by, we can
11 read that, can't we?

12 A Yes. Supported by the new Capital Management
13 Team.

14 Q All right. So this process that you are
15 telling the Commission is, to some measure, baked into
16 the '23 and '24 budget. It says, supported by the new
17 Capital Management Team. That's a team of seven people,
18 one of which was hired last month --

19 A Correct.

20 Q -- and the other six are to be hired sometime
21 by the middle of next year, right?

22 A That's correct.

23 Q So this process here has not been fully
24 implemented because this team isn't even in place,
25 right?

1 A Part of the plan is to implement a team to
2 accelerate some of the initiatives that we've
3 identified. Some of the elements have already been
4 implemented, but it's a longer term plan.

5 Q Okay. So we are sitting here in February of
6 2023 talking about this document. If we can go to page
7 12, we see -- it says, Capital Management Improvement
8 Plan as the header, do you see that?

9 A Yes.

10 Q Is there anything in that couple of sentences
11 underneath that that can be read aloud?

12 A Under the heading?

13 Q Yes.

14 A Let me just check. No, I think this is all
15 fair. So PGS 2023, and beyond, capital management
16 initiative aims to enhance visibility and transparency
17 in the short-term while building long-term capabilities
18 and stronger processes. The plan below is still
19 evolving and represents key activities that will
20 ultimately lead to improved capital management to ensure
21 that optimized regulatory recovery of investments and
22 allow for improved cash flow and liquidity planning.

23 Q Okay. So doesn't this document tell the
24 Commission that this capital management improvement plan
25 is really being worked on this year more so than last

1 **year?**

2 A It's a combination of, as I look at the
3 actions that we've identified in the short- and
4 long-term, some of them we have implemented, and some of
5 them are to be implemented. And as we learn more about
6 how to do our business better, I am sure this plan will
7 change and evolve. So in some cases, we've made
8 improvements, but in some cases there is a lot more to
9 be made.

10 Q Okay. So under budgeting there, under the
11 short-term column in the middle, is that something that
12 can be read aloud, that starts with refined?

13 A Refine a new budgeting tool?

14 Q Yes --

15 A Yep.

16 Q -- from 2022. This is talking about what you
17 did in 2022, and now, in '23, you are still refining it,
18 right?

19 A It's a model. We developed it in 2021. Every
20 time we put new data in it, we become more informed
21 because we are able to use the past to help refine the
22 model to build better predictions into future, and that
23 will continue year after year, but the biggest changes
24 we made were in 2021.

25 Q Okay. But that's only the high volume piece,

1 right?

2 A That's correct.

3 Q Okay. And under execution, under short-term,
4 can you read the two dashes under that, one starts with
5 early?

6 A Early engagement in estimating and class
7 estimates with stage gates.

8 Q Okay. That's related to the class process
9 that we talked about in your direct and your rebuttal
10 testimony, right?

11 A That's correct.

12 Q Okay. But those processes, as a part of this
13 capital management improvement plan, those are really
14 being done this year, right?

15 A The class estimating process was improved and
16 put in documented form in 2022. So I would say that,
17 you know, we will continue to refine it. As we learn
18 more about where we can make improvements, we will have
19 revisions to that document. So it's fair to say that we
20 will continue to many improve it this year.

21 Q Okay. That document, which was adopted, I
22 think, on September 7th of 2022 --

23 A That's correct.

24 Q -- is that right? That was just a couple
25 weeks before you assumed your title, right?

1 A That's correct.

2 Q Okay. Would you have worked on that project,
3 though, right?

4 A Not directly. My team would have, but I would
5 have overseen it.

6 Q Okay. Now, that document was not put in place
7 before the budget that we talked about was developed,
8 right?

9 A That's correct.

10 Q Okay. And that document really is for the
11 budget that would impact 2025 and beyond, because 2024
12 has already been set, right?

13 A Yes. And we have -- like, we have one project
14 for -- in the 2024 budget that we have used and are
15 using the new document for it as it advances.

16 Q Okay. But for purposes of cost estimating, at
17 the time -- we go back to the August 14th, when the
18 CAPEX was put into the Power Plan in '22. That project
19 was not being -- that cost estimating was not being
20 developed using the class methodology, was it?

21 A We were -- it was. We were using class
22 estimates before. We made drama -- a lot of
23 improvements to it and formalized it in a document. So
24 we were always using class estimates. We made a
25 complete revision. It wasn't formalized before. We

1 formalized it, put into a document, which was put in
2 place in September, which would have been after the date
3 that you have mentioned.

4 **Q Okay.**

5 A So I just didn't want it to -- I want to be
6 clear that we were using class estimates before --

7 **Q Okay.**

8 A -- complete --

9 **Q I am sorry.**

10 A Just it's not new to us, completely new to us.

11 **Q So just to be clear, if you have baked the**
12 **budget -- and I use the phrase baked -- baked into the**
13 **MFRs, it's set, right?**

14 A Correct.

15 **Q You haven't made any changes of any material**
16 **amount to the budget --**

17 A Correct.

18 **Q -- since you filed it, right?**

19 A Correct.

20 **Q Okay. So if you use class and any of these**
21 **other processes to refine a number and it goes down,**
22 **that's not going to be reflected in the MFRs, right?**

23 A The improvements that were made after it will
24 not be.

25 **Q That's right.**

1 A Correct.

2 Q Just like if you do use that and it goes up,
3 it's not going to be reflected, right?

4 A Correct.

5 Q Okay. So I guess what I am trying to
6 understand, and I want the Commissioners to at least
7 have an opportunity to understand, is this process
8 that's in your testimony, the formalized part of it is
9 just now getting under way. You did the budget document
10 -- I mean, the construction cost estimating document in
11 September. Apparently you are doing evolving work, but
12 you are going to put a team in place next year to stitch
13 all this together and to make it better, right?

14 A Yes. And I would say, you know, it's -- I
15 always think of it as almost a library. You know, the
16 books never stop coming. To me that's how process
17 improvement works. You never stop trying to improve
18 your processes. And I think this is a good example of
19 that.

20 We've found some opportunities. We've made
21 some improvements. We have a new budgeting tool for all
22 of our high volume work. And when I look at 2024, all
23 of that high volume work, it represents about 40 percent
24 of our budget. So all of the growth -- so 40 percent of
25 the budget was devised with that new planning tool. 28

1 percent of our budget are reliability projects. And so
2 for those, you wouldn't apply the class estimates,
3 because they are typically smaller projects, you know,
4 we are thinking of something in the range of between
5 half a million to a couple of million. And those
6 projects would be less than a year. We can reliably use
7 the last job to figure out how much the next job is
8 going to cost. And so we wouldn't apply that to a
9 layer.

10 And so, you know, 40 percent plus 28 percent,
11 we feel very confident about using the information we
12 have to put the budget together. The AFUDC represents
13 26, and there are four projects in the AFUDC in 2024,
14 none of which will be in rate base because it will all
15 finished post 2024. One is the FTG to JEF project,
16 which I mentioned, which we did use the class estimate
17 project. The other is the headquarters. So between
18 those two, that represents 75-ish million dollars. And
19 the other two remaining projects, 10 plus seven, there
20 is two projects, Tampa Downtown and Tampa Trunk, those
21 are still early and will be using the class estimate
22 process.

23 So, Mr. Rehwinkel, as you described that, yes,
24 certain parts of our process have been improved. The
25 parts that have been improved and put in place hit a

1 rather significant portion of our budget for 2024. The
2 others are mostly related to AFUDC.

3 Q Okay. And not in the rate base for that test
4 year?

5 A Correct.

6 Q If you could go to page -- to Tab 20, Exhibit
7 20, and it's 179. This is OPC 20C.

8 A The title of this is PGS Blanket Capital
9 Projects Reviewed. Are you familiar with this
10 documented.

11 MR. MEANS: I am sorry, Charles, which
12 document number was it?

13 MR. REHWINKEL: It's 20C.

14 MR. MEANS: Thank you.

15 CHAIRMAN FAY: Mr. Means.

16 BY MR. REHWINKEL:

17 Q Mr. Richard, did you find the document?

18 A I did.

19 Q All right. So you are familiar with this
20 document, are you not?

21 A I am.

22 Q Okay. And I don't -- I don't want to go
23 through this document in any detail with you. I just
24 want to, just quickly, this is a confidential internal
25 audit review document, right?

1 A Correct.

2 Q And in the background, it appears that this
3 was triggered by, or an outgrowth of -- under
4 background, it says audit services. Do you see that
5 sentence at the top there?

6 A I do.

7 Q Okay. And it says something that happened in
8 March of 2022. Do you see that?

9 A Yes.

10 Q I don't know if that's -- if that's
11 confidential or not, but I'm not going to ask you to
12 reveal it.

13 This document ensued after the completion of
14 that work in March of '22, right?

15 A Yes.

16 Q So if I could just get you to go over to Bates
17 4, OPC Bates 4. It appears that this audit work
18 occurred in the latter half of 2022, and maybe the first
19 month of 2023. Do you agree with that?

20 A Yes.

21 Q Okay. Under conclusion, the last full
22 paragraph, it starts out "the time of". Do you see
23 that?

24 A Yes.

25 Q Is that sentence that starts there and ends

1 with processes, is that something that can be read into
2 the record?

3 A At the time of our review, the engineering
4 construction -- engineering and construction team was in
5 the process of formalizing blanket capital project
6 processes.

7 Q Okay. They are referring to the budget tool
8 there, aren't they?

9 A I am not sure. That could be part of it.

10 Q They would have looked at the budget tool in
11 the context of this audit review, would they not?

12 A I don't know.

13 Q Okay. Is there anything else they could be
14 talking about here than the budget tool?

15 A I mean, since they were looking at invoices,
16 it's possible they were looking at our invoicing
17 processes as well, our work execution processes; how we
18 issue work to our contractors; how we receive the work
19 and the documentation back after it was completed; the
20 invoicing that follows and whether or not it matches the
21 documentation that they provided. So there is quite a
22 few processes behind our blanket work, you know, we --
23 if we look at the -- between 2020 and 2022, we put on --
24 we install on average 22,000 new residential and
25 commercial services per year, so there is quite a bit to

1 it.

2 Q But is ECT -- was ECT in the second half of
3 '22 working on formalizing that process?

4 A Which one?

5 Q The invoice.

6 A So we have been working on the invoicing
7 process for a number of months. I am not sure if it was
8 in 2022 if we -- no, I don't believe it was in 2022. It
9 was a little bit later.

10 Q Okay. So is it likely that they are talking
11 about the budget tool?

12 A I don't think so, because the budget tool was
13 already this place, so I am not sure.

14 Q We just looked in Exhibit 4C. It says that
15 that was being refined in '23, right?

16 A Say that again.

17 Q Okay. If we go to 11, page -- page 12 of
18 exhibit Tab 4, Exhibit 174.

19 A Yes.

20 Q Again, we read in the very center of that
21 page, it says: Short-term under budgeting, refined new
22 budgeting tool from 2022?

23 A Refine, yes. As in -- I explained, you know,
24 that tool we put in place, we will always look at every
25 year what we can do to further refine it. It's a fairly

1 complex spreadsheet that looks at the past to try and
2 predict the future. So the more we learn about each of
3 our areas in terms of how many new residential
4 commercial customers we are installing, we will continue
5 to retype fine that model.

6 **Q Okay. So all I was asking you is that's being**
7 **refined, they say you are working on formalizing the**
8 **budget -- the capital process?**

9 A It doesn't make sense to me --

10 **Q Okay.**

11 A -- because we had, by the end of 2021, we
12 brought it to our executive team. We had multiple
13 meetings on reviewing that tool. It was a scorecard
14 target to improve and formalize. It's been documented,
15 and we started using it at that time. So we do
16 continuously took to improve it, so that I may have been
17 what they are referring to. I am not sure.

18 **Q Okay. Let's go to E3-71, we are back on your**
19 **rebuttal. And that appears to be page four.**

20 A Okay.

21 MR. REHWINKEL: Actually, I think I can cut
22 some questions out there, Mr. Chairman.

23 CHAIRMAN FAY: Okay.

24 BY MR. REHWINKEL:

25 **Q So to the extent that the non-budgeting tool**

1 piece of the capital budget -- capital management
2 improvement plan are implemented after the budget was
3 set for '23 and '24, like you talked about -- I guess,
4 was that FGT to JEF that you said you are using?

5 A Yes.

6 Q Okay. Any portion of the budget that is put
7 in place -- let me strike that and ask it this way:

8 If you put -- if the Commission approves your
9 budget, as you established it in last year, for '23 and
10 '24, and you apply these processes, and refine the costs
11 and lower the costs of projects that you ultimately
12 build, those savings, until the rates are set in the
13 next rate case, they would enure to the benefit of
14 shareholders, right?

15 A Yes, if there were projects within our 2024
16 budget that would be subject to those processes. And as
17 I look at the 2024 budget, and mentioned previously,
18 those -- that process would typically apply to projects
19 that are larger than five million, and so mostly likely
20 AFUDC projects. There are only four of those projects
21 currently in our budget, which represents 17 million of
22 the \$362 million capital budget.

23 Q Okay.

24 A So those are projects which are very early in
25 their development, we would apply the class estimating

1 process, as designed and implemented in September of
2 2022. However, those projects would not be implemented
3 until 2025.

4 **Q Okay. And so the class project process, stage**
5 **gate, early engagement, those elements of this plan,**
6 **they are not intended to go back and refine cost**
7 **estimates that were made in 2022 for '23 and '24**
8 **inclusion in the budget, right?**

9 A That's not entirely correct. For -- again,
10 there is a criteria by which we apply these processes.
11 For -- there is a criteria by which we apply these
12 processes. On certain projects -- you mentioned early
13 engagement, so that's a practice that we now deploy
14 across most of our RRE projects. So not just the five
15 million. We had an example where we had a -- we are
16 servicing a pipeline for MacDill Air Force Base, and
17 there is complexity in that project. It was a very
18 simple project from, you know, how many miles we needed
19 to install, but there was complexity because of traffic,
20 because of geotechnical. And so in that project, that's
21 an instance where we did do early engagement to try to
22 reduce the potential of having change orders.

23 So your answer is, yes, but there is an
24 element that we do deploy now.

25 **Q So it seems like you gave me an inconsistent**

1 answer. You have said, we've only -- it's only going
2 tolling FGT to JEF and these other three projects, the
3 building and some other things you mentioned, that are
4 outside of the test year anyway, so '25, '26 and beyond,
5 that you are going to use this process for. And I was
6 asking, are you going to go back and are you going to
7 refine projects and make them come in maybe less than
8 what you estimated in 2022?

9 A And the answer would be, no, because they
10 don't -- they are not big enough.

11 Usually, the smaller projects, we can rely
12 mostly on -- and let's say we are talking about a
13 one-and-a-half-million-dollar pipeline project that
14 needs to go in, it's a fairly straightforward in
15 installation. We can use the last project in the region
16 as an indication of costs. We would not need to go
17 through the class estimate process.

18 We typically reserve the class estimate
19 process for those larger projects that are typically
20 five million or more. They are multiple years. They
21 are very complex in nature. We need to better
22 understand the field conditions, the market prices. We
23 need to get a contractor, perhaps a national or larger
24 contractor. So they are typically tied to larger and
25 more complex projects. In 2024, the only ones that we

1 do have are in the AFUDC bucket.

2 Q Okay. When I you put large projects non-high
3 volume projects into the budget in '23 -- for '23 and
4 '24 back in '22, those would not have been class one
5 estimates, they would have been closer to five, right,
6 that far out?

7 A Not necessarily. Again, we wouldn't have
8 followed that type of estimating process. So we would
9 have used the best information that we had at the time
10 based on similar types of projects, because they are
11 still fairly high volume, and then we would have applied
12 an escalation factor based on, you know, our thoughts
13 and our projections on the cost of materials, and
14 supplies, and contracted services.

15 Q So this is -- this is kind of an in-the-weeds
16 area, and I understand, and I apologize for everyone
17 else having to listen to it, but we are talking about
18 how the budget was developed six to 18 months ahead of
19 the years that it was to be applied to. And you have
20 told the Commission that you have these, you know, these
21 brand new processes that you are putting in place. And
22 you are saying to me, that there are only a couple,
23 maybe one project, that the class, the new class process
24 that was formalized in September could really be applied
25 to to refine, right?

1 A That's correct.

2 **Q So, if that's the case, how can the class**
3 **process and all these new things in the capital**
4 **management improvement plan, how could they have**
5 **improved the budget back in 2022?**

6 A You have kind of pointed out the class
7 location tool. I mentioned earlier our budgeting tool
8 to for high volume work, which represents over 40
9 percent of the budget, was deployed. We also talked
10 about early engagement. And we have examples where we
11 have done that for our RRE projects, where we have
12 engaged, contractors, safety, other departments sooner
13 in order to get better sense of the cost to prevent any
14 unknown changes. And we've also made improvements in
15 our inflation assumptions. We do it now more
16 consistently across our organization because of the
17 inflationary period that we've gone through.

18 **Q But the early engagement process, that's**
19 **mentioned here, if we go back to page 12, sitting here**
20 **talking and in February of '23, page 12 of Exhibit 174.**

21 A Yes.

22 **Q This process is here, it's not back in 2022.**
23 **And this -- the footnote here -- can the footnote be**
24 **read aloud, footnote one, with the one asterisks?**

25 A Remind me which one again.

1 Q Page 12.

2 A Which number?

3 Q I am sorry, it's four, Tab 4.

4 A And your question?

5 Q That footnote with the asterisks under the
6 gray bar there, can that be read out aloud?

7 A Yeah. Early engagement includes engaging with
8 safety, IT, M&R, which is measurement and regulation,
9 gas control, contractor and others in the design process
10 to improve safety and reduce project risk.

11 Q Okay. This is a process that's been
12 identified in 2023?

13 A It was one of a few that I mentioned in my
14 rebuttal, correct.

15 Q Yes. But we are talking here about a budget
16 that was essentially baked in in August of '22?

17 A That's correct.

18 Q Okay. And the only thing you have really
19 identified that was put in place is that budget tool in
20 '22, before you developed the budget?

21 A Yes. But the answer in the rebuttal, and to
22 Mr. Kollen's critique of our process, was relating to
23 whether are not we will meet our budget. And so some of
24 the items that I mention will actually help us meet the
25 budget in the way that we manage the projects. Early

1 engagement is certainly a way to do that so we don't
2 have any unforeseen costs that we wouldn't have
3 anticipated unless we engaged the professionals early in
4 the execution of that process, or project.

5 **Q Okay. But those would not have had any impact**
6 **on the value of the project in terms of how you develop**
7 **the budget, right?**

8 A Probably not.

9 **Q Okay.**

10 MR. REHWINKEL: Mr. Chairman, I am going
11 through, I had -- because we have confidential
12 documents, I had to write questions that would work
13 around, but he has very good about vocalizing some
14 things, so if I could just have a couple of
15 minutes. I am trying to bring this area in for a
16 landing. I would -- I could cut some cross out
17 because he has vocalized and made it easier on me,
18 and maybe everyone else.

19 CHAIRMAN FAY: I agree. I think he has done a
20 good job of being responsive. So, yeah, whatever
21 you can work out, and then we will -- I also want
22 to give the court reporter a break soon --

23 MR. REHWINKEL: Okay.

24 CHAIRMAN FAY: -- when we get to a spot maybe
25 when you finish this section, then we will give her

1 a break.

2 MR. REHWINKEL: All right. Let's see -- if I
3 can just take a minute and see what I can cut out
4 here.

5 CHAIRMAN FAY: Sure. Go ahead.

6 MR. REHWINKEL: Actually, if this is a good
7 time to take a few minutes, maybe it's a good type.

8 CHAIRMAN FAY: Okay. Let's do that. We will
9 start back at seven o'clock.

10 (Brief recess.)

11 CHAIRMAN FAY: We are back on the record.

12 With that, Mr. Rehwinkel, you can continue
13 your cross of Mr. Richard.

14 MR. REHWINKEL: Thank you.

15 I have distributed an exhibit, Mr. Chairman,
16 and it's the Exhibit OPC 41. What is our next
17 number.

18 CHAIRMAN FAY: We're on 209, I believe.

19 MR. REHWINKEL: 209.

20 CHAIRMAN FAY: 210? Okay.

21 MR. REHWINKEL: Okay.

22 (Whereupon, Exhibit No. 210 was marked for
23 identification.)

24 BY MR. REHWINKEL:

25 Q Okay. This is entitled, Excerpt from

1 Interrogatory Nos. 20, 27 and 228. So before -- just,
2 if we could, go to before I introduce this exhibit to
3 the witness, let's go to K213, if we can. And this
4 is -- I think we touched on this earlier. This is MFR
5 G-1, page 23 of 28.

6 And this is that plant addition for 2023,
7 Mr. Richard, do you recall that, at the bottom there in
8 the middle, 550,582,000?

9 A I do.

10 Q Okay. And what I have done here with
11 Interrogatory 227 and 228, we asked the company to
12 provide a summary of the budgeted CWIP for the years
13 2018 through '22 and year-to-date 2023, which was April,
14 and the actual for the same period. Do you see that?

15 A Yes.

16 Q Okay. And what I would like to do -- you see
17 the 550 million -- let's go to the page that has 2022 on
18 it, which I think is the second page of the exhibit.
19 Actually, it's the --

20 A First page.

21 Q -- page four. It's the first page. Do you
22 see that?

23 A I do.

24 Q Okay. So -- well, I apologize, let's go to
25 the -- three pages just briefly. I just want to tie

1 this MFR schedule to this document.

2 You see, for 2023, the company forecasted or
3 budgeted CWIP closures to plant in the total column of
4 550,582,9230.63. Do you see that?

5 A No, you may have to be -- you may have to
6 repeat that.

7 Q Okay.

8 A So we are on 2023?

9 Q Yes. So go to the -- the actuals on the
10 budget, the numbers are on the bottom of those two rows.

11 A I see. Yes.

12 Q Okay. I just -- what I did is I spliced the
13 27 and 28 answers together just to match them up actual
14 to budget.

15 A I see.

16 Q So if you go to -- in the total column, under
17 closures to plant, you see that \$550,582,923 number,
18 which other than the 63 cents, matches that MFR schedule
19 for '23?

20 A I do.

21 Q Okay. All right. Now we can go back to the
22 2022 page, if we can, please.

23 Would you agree with me that the company -- as
24 a part of your capital budgeting process, the company
25 also budgets or forecasts CWIP?

1 A I am happy to talk about the projects that are
2 behind CWIP.

3 **Q Okay.**

4 A You know, my role is we take projects from our
5 gas supply and development team who work with various
6 parties, because there is a need for natural gas, they
7 bring it to our group. We do the estimating, and we do
8 the construction, put the assets in the ground. We do
9 the same with the commercial and residential team, you
10 know, they bring us multiyear developments or scattered
11 services of customers who want our product. We will
12 work with them to identify the costs and build those
13 assets. The accounting treatment of those assets of
14 that construction, Ms. Parsons would be happy to talk
15 you to about.

16 **Q Okay. I have questions for her. I was just**
17 **-- what I wanted to understand is if you look on the**
18 **2022 budget and actual numbers, were you aware that you**
19 **budgeted to close \$308.8 million of CWIP to plant in**
20 **service?**

21 A I can speak to you about our capital budget --

22 **Q Okay.**

23 A -- the capital dollars, the projects, how we
24 are doing on them --

25 **Q Okay.**

1 A -- but in terms of --

2 Q That's fair enough.

3 A Yeah.

4 Q All right. So we can put this exhibit aside
5 and Ms. Parsons will see it tomorrow.

6 A Yes.

7 Q So let's turn to your ECT employees in Issues
8 19, 41, 43 and 49.

9 Now, you address Issue 19, do you not?

10 A Can you remind me what 19 is?

11 Q I think 19 is WAM. Has PGS properly reflected
12 in the projected test year the cost savings -- cost
13 saving benefits to be gained from implementation of the
14 Work and Asset Management, WAM system --

15 A Okay.

16 Q -- if not, what adjustments should be made?
17 And then the 41, 43 and 49 are payroll and employee
18 additions and O&M.

19 A Okay.

20 Q So on E3-79 through E3-80 of your rebuttal,
21 which starts on page 12, if we could go to that. And I
22 want to -- we've talked a little bit here about the
23 seven positions in the capital management group. Do you
24 see that?

25 A Yes.

1 Q Okay. We talked about them earlier, but you
2 describe what they are and what you expect them to do
3 starting on page 12, but carrying over to page 13,
4 right?

5 A That's correct.

6 Q Okay. And we had some discussion about the
7 excerpt from that February 2023 regulatory update, and
8 the capital management team there is the same one you
9 are talking about here, right?

10 A Yes, it is.

11 Q Okay. And you would agree that with respect
12 to the capital budget, these individuals, when they come
13 aboard in the middle of next year, by the middle of next
14 year, they will be really working on the budget and the
15 budget process and efficiencies, et cetera for really
16 '25 and beyond, right?

17 A They will be helping our planning. Our
18 long-term planning of assets looking out 10 years to try
19 to identify what projects we will need to reliably and
20 safely serve our customers, they will be working with
21 our execution teams to understand how we are executing
22 on our capital projects, establishing standardization
23 KPIs, standardization of reports, so we can bring that
24 back to our team to be able to make decisions to make
25 ensure that we are delivering as we have committed.

1 So part of their responsibilities will be both
2 long-term planning, trying to see what the future holds,
3 and at the same time, overseeing the execution of the
4 capital.

5 **Q Overseeing execution of what?**

6 A The execution of the capital that we are going
7 to standardize how we are going to do our KPI tracking,
8 and reporting, and by bring that back to our team so
9 that we can make decisions.

10 **Q Okay. And that process would really not get**
11 **under way until the second half of next year, right?**

12 A Our director is in place now. He is starting
13 to working on the integrated resource plan and formalize
14 goes that process. There is one of the positions that
15 is in 2023, so he is in the process of hiring that
16 person. The balance of if the team will come in 2024 in
17 a staggered approach. And while they are building up
18 the team, they will be building up the capacity do what
19 I just described, which is kind of the planning and the
20 execution oversight.

21 **Q Okay. But wouldn't it be fair, and shouldn't**
22 **the Commission understand this is, is that the real**
23 **impact of these individuals will be beyond the test**
24 **year?**

25 A I would hope that this it would be sooner.

1 If -- you know, one of the first deliverables will be
2 the integrated resource plan. We think that's
3 critically important. We've done a formal one a few
4 years ago, and it proved to be very, very valuable to
5 understand what requirements our system will have from a
6 safety, reliability, from a growth perspective, to make
7 sure that we have the right plans in place. So one of
8 the first priorities of that group is to start building
9 that capacity. And our director, which started on
10 August 7th, he is already underway with that.

11 So there will be -- we hope to see gradual
12 improvements and, frankly, hope they find more
13 improvements to be made in our processes. So that will
14 be part of the responsibilities.

15 **Q Okay. But any material or tangible benefits**
16 **from that group is not really baked into the test year**
17 **budget, right?**

18 A Not necessarily, but I would say, as we -- as
19 we standardize how we report an execution of our KPIs, I
20 think it will help us deliver on the budget, to try to
21 manage some of the variances, try to manage some of the
22 variables, making decisions sooner to make sure that we
23 bring projects in in a safe manner, on time and on
24 budget.

25 **Q But being new to the job, you are not going to**

1 **expect them to kind of turn things around if there is a**
2 **project offtrack, or whatever, right?**

3 A Well, new to the job, but came in -- our
4 director came in with experience. He has been in that
5 function. Actually, he came over to us from Tampa
6 Electric, and so it brings a wealth of experience from
7 the process perspective, but also from a systems
8 perspective. So that's a big advantage for us.

9 He can rely on a similar team at Tampa
10 Electric to see how they are doing. They are a little
11 bit more mature in that process in doing that kind of
12 work, so he is able to bring that with him, so I think
13 that accelerates some of the development of the
14 capabilities and capacities of that group.

15 Q If you could turn to Tab 66. I have questions
16 for you throughout the rest of my cross, but I wanted to
17 actually get this document out here and ask you about it
18 and see if it -- first of all, do you have that?

19 A Yes.

20 Q This is the cost estimating document version
21 1.0, dated 9/21/2022?

22 A Yes.

23 Q Okay. I may have given the wrong date in
24 September earlier, but --

25 MR. REHWINKEL: Mr. Chairman, I think this

1 needs a number, 211?

2 CHAIRMAN FAY: Yes, Mr. Rehwinkel, 211.

3 (Whereupon, Exhibit No. 211 was marked for
4 identification.)

5 BY MR. REHWINKEL:

6 Q This is a document you know quite well, right?

7 A I do.

8 Q Okay. The team that we've just been talking
9 about, the capital management team, will this document
10 have anything to do with the work that they do?

11 A No. The engineering estimating team uses this
12 document to put together estimates based on the needs
13 and requirements of the various, whether it's the gas
14 supply and development team or the residential and
15 commercial team. The capital management team will
16 oversee the execution and reporting of the projects once
17 they've used this process.

18 Q Okay.

19 A I will qualify my answer, and perhaps an end.
20 One of the improvements we are also looking to implement
21 is strength in governance on how we bring projects
22 forward, the requirements we have for standardization of
23 charters. We already do charters, but we see an
24 opportunity to enhance that. And so in that process,
25 this new capital and work management team will ensure

1 that this process has been followed, that they bring
2 forth for decision-making processes the right
3 information, complete information, and so indirectly,
4 they will benefit from this document.

5 **Q The word you used sounded like charters to me,**
6 **what did you --**

7 A Charters?

8 **Q Is that what you said?**

9 A Yeah. The project document that describes all
10 the basic information about the project is called a
11 charter.

12 **Q Okay. And when does a charter actually**
13 **emanate from the process? Is that, like, a final**
14 **document, is it an early document?**

15 A Usually it's an early document, so kind of
16 conceptually, if we believe that there is a need for a
17 project, whether it's because of a customer demand,
18 reliability or safety, we would typically start off with
19 a charter, which describes the basic needs and
20 requirements of the project.

21 **Q So with respect to the ECT -- I mean, the**
22 **capital management team, we can put this document aside**
23 **for now, because they don't deal with it?**

24 A That's correct.

25 **Q Okay. Let's go, if we can -- I am going to go**

1 to what has been identified as 164, and it's that --
2 this long -- you I may have a better version of it.

3 A IRR 13?

4 Q Yes.

5 A Yep.

6 Q I think everybody has touched this document
7 today, so you should not be any exception.

8 This document has, I don't know what page in
9 mine, about the seven individuals that he would just
10 finished talking about are shown on this document, are
11 they not?

12 A They are.

13 Q I am not sure exactly which page.

14 A Their description would start with capital and
15 work management. We may not have the same page
16 numbering.

17 Q Yeah.

18 MR. REHWINKEL: Mr. Chairman, I think it's at
19 the bottom of the first page that -- it says, Tampa
20 pipeline locator as the last one.

21 CHAIRMAN FAY: Yes, that's what mine is.

22 MR. REHWINKEL: Okay.

23 BY MR. REHWINKEL:

24 Q So above that, we see there is -- there is
25 three of Mr. O'Connor's people, or four, and then these

1 seven people are the Richard people up to -- we have two
2 capital work management analyst reporting and analytics
3 people. I am just going bottom up. Capital work
4 management manager scheduling planning and reporting,
5 capital and work manager planning coordinator, capital
6 and work management -- manager budgeting, and IRP, and
7 then engineering design system modeler strategic
8 planning, is that everyone?

9 A Yes.

10 Q All right. And then there is -- and then
11 there is the director of capital and work management.
12 Is that the guy that's already been hired?

13 A Yes.

14 Q Okay. So these are the seven people. And the
15 descriptions are -- they vary over on the column that
16 says, unfilled explanation. Do you see that?

17 A Yes.

18 Q All right. When I look at these descriptions,
19 would it be fair to me to conclude that these people
20 also are an interface with the business development
21 organization who work collaboratively on planning
22 projects, developing that charter you talked about?

23 A Yes. The capital and work management team
24 will work with our gas supply and development team, they
25 will work with our residential and commercial team, they

1 will work with our finance team, and they will work with
2 our engineering team. So they really are a central node
3 in the management of capital projects.

4 Q Now, when I look at these individuals, I don't
5 see engineers in here. Is it that -- I mean, they may
6 be engineers, but you are not looking for engineers,
7 more like analytics and staff people, finance?

8 A These would be folks with a variety of skill
9 sets. We are not looking specifically for engineers.
10 They would be business planning, finance, business
11 professionals.

12 Q Okay. And if they are an engineer, good too,
13 right, if they have those other skills?

14 A An engineering skill set would be seen as
15 helpful.

16 Q Okay. But otherwise, this is not intended to
17 be like an engineering core within your organization?

18 A That's correct.

19 Q Okay. While we are looking at this document,
20 and I know I told you I was going to talk about SeaCoast
21 in the last segment, but if there was a SeaCoast
22 project, a pipeline project that the gas -- I will just
23 call them business development, do you understand?

24 A Yes.

25 Q If they brought you a project that would

1 involve SeaCoast serving a big customer somewhere, or
2 serving an Emera need in the state of Florida, these
3 folks would interface with them, would they not?

4 A I am not sure they would. The nature of
5 SeaCoast projects are fairly unique. They are usually
6 larger big projects. And so typically what -- you know,
7 we've only had -- we only had four assets in SeaCoast.
8 So typically with larger projects, they have their own
9 separate reporting. So we would have a project manager
10 assigned to that work, and they would be responsible for
11 reporting back.

12 Now, this group may incorporate that, but the
13 touch would be fairly light. So I want to say no, but I
14 think that their touch would be fairly light.

15 Q Okay. But it also might depend on the
16 magnitude of the project?

17 A Maybe.

18 Q Okay. You can't rule out that these folks
19 would not touch a SeaCoast project, can you?

20 A That's correct.

21 Q Okay. All right. I think I can turn now, Mr.
22 Chairman -- Mr. Richard, to the WAM, Issue 19 and 41, 43
23 and 49.

24 CHAIRMAN FAY: Are you done with 164, Mr.
25 Rehwinkel, or are you going to keep it around?

1 MR. REHWINKEL: I hope to go and burn it soon.
2 Mine is dog-eared. I don't think I am going to use
3 it again.

4 CHAIRMAN FAY: Okay.

5 MR. REHWINKEL: And no offense to the company,
6 I just am tired of looking at it.

7 BY MR. REHWINKEL:

8 Q So you would agree, you are testifying in
9 support of approximately \$35 million in capital
10 investment related to the Work and Asset Management
11 system, or as we've been calling it WAM, right?

12 A 34.3 million?

13 Q Yes.

14 A Yes.

15 Q All right. Are there additional capital
16 dollars that you have incurred that are not included in
17 the test year at this time?

18 A We have experienced some delays, and have
19 incurred an additional 4.4 million. So the project
20 budget is now projected to -- or the project cost is now
21 projected to end at 38.8 million.

22 Q Okay. 34.3 is the amount that's in the
23 capital budget?

24 A It is.

25 Q Okay. You would agree that, as proposed, WAM

1 is intended to be a transformational efficiency measure
2 that will save both O&M and capital for PGS over a
3 number of years?

4 A It is. It really is. You have heard from
5 witness O'Connor yesterday. It's been referenced many
6 times. You know, we have five legacy systems currently
7 in place. Of those five, we have one that is no longer
8 supported. We have one that's coming out of support.
9 The capital management we talked about earlier, we are
10 adding 20,000 to 22,000 new customers per year.

11 We didn't have a staple before WAM. We were
12 managing that on spreadsheets. And so to have a system
13 where all of that information is centralized -- and you
14 heard Tim O'Connor yesterday talk about 600 and some
15 thousand locate tickets. That group manages over a
16 million work orders per year. And so a million work
17 orders per year on the capital management side, 20,000
18 to 22,000 customers per year, Work and Asset Manage
19 would be a central hub for all of that information, so
20 yes.

21 Q And I think you have testified before that WAM
22 is something that many utilities have already
23 implemented in some fashion, right?

24 A Yes. As we looked at our growing business,
25 growing in terms of complexity, we talked to many of our

1 peers to see how they were managing this work volume in
2 an efficient and effective way, and what we found was
3 that a work and asset management system was pretty
4 standard in the industry. And so based on that research
5 -- and we did this work early on in 2019 -- in 201,
6 actually, and so is that was one of our conclusions.

7 Q And you were the champion or sponsor of the
8 project in terms of getting board approval, correct?

9 A I was.

10 Q We talked -- we looked earlier in an exhibit
11 in conjunction with Mr. Wall's testimony in the 2020
12 case, and I think -- I don't know, there was 13 or \$14
13 million in the budget at that point in time, would you
14 agree with that?

15 A I recall, yes.

16 Q Okay. Given that it was over 20,000, \$5,000,
17 and projected to go in service longer than a year, at
18 some point, when an AFUDC rule was authorized for gas
19 companies by the Commission, it would have been earning
20 AFUDC, right? I can ask Rachel that, but it was an
21 AFUDC earning project, right?

22 A Work and asset management is an AFUDC earning
23 project.

24 Q Okay. So form -- I think we saw there was,
25 like, two-and-a-half million dollars in the budget in

1 2020. So assuming that was over the threshold, that
2 amount of money would have started earning AFUDC that
3 far back, right?

4 A The work in asset management project was
5 approved in 2020, if my dates are correct, and we
6 started the project in 2021. I am not familiar with the
7 last rate case and that testimony, but that's the
8 timeline for the project.

9 Q Okay. But all the time that it was entered in
10 the development, and as long as you had spent money on
11 it, it would earn AFUDC, right?

12 A It is earning AFUDC.

13 Q Okay. Let's look, if we can, in the book at
14 Tab 11?

15 MR. REHWINKEL: Mr. Chairman, this will be a
16 new exhibit, 212, and this is excerpt from Deloitte
17 SOW Related to WAM.

18 CHAIRMAN FAY: Okay. Mark this 212.

19 (Whereupon, Exhibit No. 212 was marked for
20 identification.)

21 BY MR. REHWINKEL:

22 Q Mr. Richard, are you familiar with this
23 document?

24 A I am.

25 MR. REHWINKEL: I have an exhibit, I think

1 it's -- because I didn't put your signature page on
2 the document, so this document doesn't have it, but
3 I have -- I have a, 70, Tab 70 has the pages that
4 I -- that I failed to include the first time when I
5 prepared this. We don't have to give an exhibit.
6 I am just seeing if I can get him to look at it and
7 read it --

8 CHAIRMAN FAY: Okay.

9 MR. REHWINKEL: -- that he signed the WAM --

10 CHAIRMAN FAY: Oh, just the signature page?

11 Okay.

12 MR. REHWINKEL: -- statement of work.

13 THE WITNESS: Yes, I see that.

14 BY MR. REHWINKEL:

15 **Q Okay. So you and TJ Szelistowski, who was the**
16 **President of the company at the time, signed it, right?**

17 A That's correct.

18 **Q All right. So this WAM SOW, or statement of**
19 **work, is dated July 17, 2021. And that's really the**
20 **official birthday of WAM, right, is when the project**
21 **became officially --**

22 A Where do you see the date?

23 **Q I am sorry. If you go to Bates 2 on Exhibit**
24 **212, or Tab 11, and the first line.**

25 A Yes. July 17th, 2021.

1 Q And this is a confidential document, so I am
2 not -- that's not a secret number we've talked about,
3 that is the origination date, right?

4 A That's correct.

5 Q Okay. Isn't it true that WAM was originally
6 conceived to be rolled out in two phases, or releases
7 called R1 and R2?

8 A I am going to come back to the document that
9 we've just discussed, July 17th. We had two SOWs, and I
10 see that this is statement of work number two. We had
11 an SOW number one, which was a preliminary phase with
12 Deloitte.

13 Q Okay.

14 A We looked at -- we took a two contract
15 approach with the project. So the first contract was
16 simply to explore what the requirements would be to
17 ensure that we had a second SOW that was not -- that
18 wouldn't have many change orders. So kind of like the
19 early engagement process we have with putting pipes in
20 the ground, we followed the same process with this work
21 and asset management project.

22 So SOW 1, which would have preceded this, was
23 a development phase, a definition phase, to make sure
24 that we had common understanding of the organization,
25 the change management requirements, a better

1 understanding of how the business operated so they had a
2 better understanding of the configuration of the system
3 to have that full implementation. So this would be the
4 SOW No. 2, but the project started with SOW No. 1.

5 **Q Okay. But SOW 1 must have been prior to 2021?**

6 A I think it was about -- I think it's four
7 months before SOW No. 2.

8 **Q Okay. Well, I mean, we didn't get a copy of**
9 **the invoice if it was with Deloitte, so this is all I**
10 **had to go on. And I thought the July 17, 2021, date has**
11 **been uniformly used as the beginning of WAM.**

12 A I think -- subject to confirmation --

13 **Q Okay.**

14 A -- like I mentioned earlier, SOW No. 1 was
15 when we started our engagement with Deloitte. We had
16 that exploratory phase with SOW No. 2, which would have
17 been the configuration phase, where they actually
18 started to configure the system for our application.

19 **Q Okay. All right. So putting that aside, you**
20 **would agree with me that it was conceived to be rolled**
21 **out in two phases, deployment R1 and deployment R2?**

22 A That's correct.

23 **Q Release one and release two?**

24 A Correct.

25 **Q Can you give the Commission just a brief**

1 **synopsis of what each of those releases was intended?**

2 A Yeah. So if the first release was intended
3 for the engineering construction team in November of
4 2022, with a release No. 2 with the operations team
5 because it was a much larger -- I won't say it was a
6 larger, but it was a much more in-depth change
7 management exercise. So for the engineering
8 construction retirement, work and asset management was
9 -- is used by professionals who are designing new
10 assets.

11 For Tim's team, the operation side, it was a
12 significant change management exercise because we were
13 asking technicians to go from working on laptops with
14 five niche systems and spreadsheets, lots of manual
15 intervention, to working with iPads, who would have all
16 of their work on those iPads. So to make sure that we
17 had those technicians that would be comfortable with the
18 iPads, making sure the iPads would work well in the
19 Florida sun, making sure that the device were mounted
20 properly in the trucks, making sure that the five
21 systems that was it was replacing was properly
22 configured. And so that was the second release, which
23 took a little bit more time. The engineering
24 construction side was a little bit simply. So the 2023
25 deployment in May of that release No. 2 was with the

1 operations team and those iPads in the field.

2 Q So I am going to go to Bates 6, and there is a
3 Schedule H, and it has deliverables on it associated
4 with this SOW 2, right?

5 A Yes.

6 Q All right. So there is a deliverables log,
7 which has a date next to it, in 2021. And then there is
8 -- anyone can sit there and go through this and see what
9 the tasks are, but this -- the master plan would be the
10 second item here, right, and it's just a few days after
11 this SOW?

12 A I am not sure -- the master plan?

13 Q I am looking in -- I am still in Bates 6.

14 A Okay.

15 Q You see the second row?

16 A Yeah. That was the delivery of an overall
17 schedule for the project.

18 Q Okay. All right. So --

19 A I also note that it makes reference to SOW No.
20 1 in the right-hand column, which is what I was
21 referring to earlier.

22 Q Okay. And if we looked on -- through Bates
23 16. I am just going to take you to Bates 16. This
24 shows -- in the bottom half of the page, there is a
25 reference to address rehearsal for R1 and R2, basically

1 in July of '22 and November of '22 respectively, right?

2 A Yes.

3 Q Okay. But that's not the rollout date,
4 because on the next page, we see that back when SO2 --
5 SOW 2 was executed, the -- it shows original deployment
6 dates for R1 and R2, it looks like September and
7 December respectively; is that accurate?

8 A That was the -- if you are asking me if the
9 page is accurate. The page is accurate. This was the
10 original plan --

11 Q Right.

12 A -- which I referenced earlier. We had some
13 delays in the project. Release one was November of
14 2022, and release two was May of 2023, with an
15 additional release planned for the end of this month.

16 Q Okay. Well, if you could tell me, when I am
17 looking on 17 and 18, I see various R1s and estimated
18 completion dates. Is the one that I should be looking
19 at, the September 16 for R1, and the September -- I
20 mean, the December 2nd for R2, back on Bates 17?

21 A Let me just check. Yes, based on this table,
22 deploy R1 for September 16th, looks like it was the
23 milestone to deploy that release.

24 Q Okay.

25 A And the same would be true for R2, December

1 16th.

2 Q Okay. So three months apart?

3 A Yes.

4 Q All right. Now, if I could get you to turn to
5 Tab 10, please.

6 MR. REHWINKEL: Mr. Chairman, this would need
7 an exhibit number 13?

8 CHAIRMAN FAY: Yes, Mr. Rehwinkel, this would
9 be 13, and you said you are at 10C.

10 MR. REHWINKEL: Yes, sir.

11 CHAIRMAN FAY: Okay.

12 (Whereupon, Exhibit No. 213 was marked for
13 identification.)

14 BY MR. REHWINKEL:

15 Q So this is a change order for the document
16 that we just talked about, right?

17 A Yes.

18 Q And it references in the introduction there
19 SO2 -- SOW 2, and it's dated, looks like, October 3rd of
20 2022; is that right?

21 A Yes.

22 Q You would have been -- this is a document that
23 you would have been involved in the execution of, right?

24 A Yes.

25 Q Okay. Now, this was executed on October 3rd,

1 which would have -- of '22 -- which would have been
2 about a month after the original R1 date, right?

3 A R1 was -- original date was August.

4 Q I thought it was September 2nd. We just
5 decided that.

6 A Can you remind me which --

7 Q Yeah, let's go back to Bates 17 of Tab 11. I
8 think I said September 2nd. September 16th.

9 A 16th.

10 Q So go to Tab 11 and Bates 17.

11 A Which tab? I am sorry.

12 Q 11.

13 A 11.

14 Q Tab 11. I am sorry.

15 A R1 deployed September. This is October.

16 Correct.

17 Q Okay. So original R1 date was September 16th,
18 and a little over two weeks later, you executed the
19 first change order, right?

20 A Yes.

21 Q So what happened to make this project slip?

22 A It was the complexity of the project, and what
23 the change order represents are, you know, slight delay
24 of release number one, and further delay of release
25 number two, which was meant to be in December, and we

1 are now saying it was going to be in May.

2 As you can imagine, rolling out new technology
3 in a system where -- in an environment where we are not
4 replacing a legacy system, we are actually implementing
5 something brand new, having impact on so many people,
6 the complexity of tying in those five systems, the
7 complexity of the change management effort to change
8 from working on a laptop in five different systems to
9 working on an iPad with all systems combined, proved to
10 be a little bit more complex than what we originally
11 envisioned. And so because of that, we wanted to make
12 sure that we got it right and we wanted to make sure
13 that we took the time that we needed in order to make
14 sure when we rolled it out it would be successful. So
15 that was the main driver behind the extension. It was
16 mostly around the complexity of the build.

17 **Q So if I could get you to go to Bates 5 of this**
18 **document, which is a Schedule G.**

19 A Yes.

20 **Q Okay. Up there in the top, it's project**
21 **schedule, and it shows for R1, a go live date. That's**
22 **when you actually can start using it. That's what that**
23 **date -- that descriptor signifies right?**

24 A So the go live date for release number one,
25 November.

1 **Q** **Yes. So November 7, 2022, that's what this**
2 **change order changed, from September 16th to November**
3 **7th, is that right?**

4 **A** **I just need to check and make sure it wasn't**
5 **covering the second release as well.**

6 **Q** **Well, we see R2 on that Bates 5, February**
7 **13th, right?**

8 **A** **Yes. Yep.**

9 **Q** **Okay. So what I am trying to understand here**
10 **is on October 3rd, there was basically sitting there**
11 **executing, and on the 3rd, you are just saying we are**
12 **going to go live in 34 days, right?**

13 **A** **Before the change order was put in place,**
14 **there was a lot of planning behind it --**

15 **Q** **Right.**

16 **A** **-- as you can see evidenced by the new**
17 **schedule.**

18 **Q** **Right.**

19 **A** **And so, you know, the date that the document**
20 **was signed was October 1st -- October 3rd. But leading**
21 **up to it, there is a lot of planning around, all right,**
22 **there as delay, what does that mean for us? When do we**
23 **reasonably think that we can go live with both releases,**
24 **you know, so there is quite a bit that goes behind this.**
25 **But that was -- at the time of this change order, that's**

1 the schedule at that would have been put forth.

2 Q Okay. So would they have just signed the
3 change order knowing that November 7th was kind of not
4 going to happen?

5 A For engineering and construction, we did go
6 live in November.

7 Q Well, let's go to change order -- or to Tab 9,
8 to change order number two.

9 MR. REHWINKEL: And that will need an Exhibit
10 214. This is WAM Change Order No. 2.

11 (Whereupon, Exhibit No. 214 was marked for
12 identification.)

13 BY MR. REHWINKEL:

14 Q And again signed on Bates 3, signed by you.
15 And I want to direct you to Bates No. 5 -- well, first
16 of all, this was executed on November 28th?

17 A I stand corrected. So it was December 5th.
18 For some reason, I was thinking November.

19 Q Okay. So do you -- so on November 28th, it
20 has a go live date shown on Bates 5 of December 5, and a
21 go live for R2 of December -- February 27th, 2023,
22 right?

23 A Release two, that's what change order two
24 says, yes.

25 Q Yes. Okay. Was there a change order -- has

1 **there been another change order since that?**

2 A I am not sure.

3 Q Okay. I thought we had been told that in May
4 of this year was when release one was fully implemented,
5 and then there is a release two, at least at the time we
6 talked earlier in the year, was going to be sometime in
7 September.

8 A Release one was late 2022. Release two was
9 May of 2023. And when we were close to doing the
10 release two point -- 2.0 in May, we identified a few
11 areas with the compliance area was not ready and so we
12 delayed that and created release 2.1, which is just a
13 small fragment of the overall release number two.

14 Q Okay. So -- and I know everything you do,
15 whether it's engineering or operations, it's all serious
16 business, it's got to be done right. Is it fair to say
17 that the ECT was the easier of the two segments to
18 implement?

19 A There is less of a change management impact,
20 so I would say yes.

21 Q Okay. On -- still on this Exhibit 214 at Tab
22 9, I want to ask you on, still on Bates 5, I know my
23 eyes are kind of getting blurry right now, and I was
24 wondering if you could look under the blue bar that says
25 release one and two go live update, it has a little

1 batman style WAM in there. Do you see that?

2 A Yes.

3 Q Okay. If you go -- this has -- I don't know
4 what you call this kind of chart. I think there is a
5 name for it, graphic?

6 A Gant chart.

7 Q What's that?

8 A Gant.

9 Q Yes, gant. We see -- it says: As train and
10 deploy R1, and it has R1 go live December 5th and has a
11 gold star by it, and that happened, you are saying,
12 right?

13 A Yes.

14 Q And then it says: Train and deploy R2. And
15 then over there to the right it says: Go live TBD, has
16 a gold star by it. What -- how does that square with
17 the February 27th date? Was that really not seen at
18 that time as going to happen?

19 A I am not sure.

20 Q Okay. You see the -- on the lower left, it
21 says: 2020 scorecard goal, do you see that tiny print?

22 A 2022? Yes.

23 Q Yes. Can you -- first of all, is that
24 readable publicly? If you could review it?

25 A Yes.

1 Q Okay. Can you tell me what this -- first of
2 all read it, and then let's talk about what it means.

3 A The 2022 scorecard goal was to complete at
4 least one release by the end of Q4 of that year.

5 Q Okay. And that happened?

6 A It did happen. Yes.

7 Q Okay. And then it says -- for the rest of it,
8 the next line?

9 A The next line is board commitment, achieve go
10 live by the end of Q1 2023 at or below budget.

11 Q Or what?

12 A At or below budget.

13 Q Okay. What was the status of that? Did that
14 happen?

15 A We are in the middle of that, and we are not
16 -- we are over-budget on it.

17 Q Okay. So that -- it didn't come in on time
18 and it's over budget, right?

19 A As it relates to the commitment we made to the
20 board?

21 Q Yes. That's what I mean. Yes.

22 A Yep.

23 Q And then under the TBD, can you read that
24 aloud?

25 A TBD anticipating a Q2 go live.

1 Q Okay.

2 A Meaning R2.

3 Q Okay. And so based on what you are saying,
4 did that happen or, like, mostly happened or --

5 A The majority of the R2 functionality went in
6 service in May. So that would be aligned with Q2.

7 Q Okay.

8 A The compliance work, where we were replacing
9 one of the five legacy systems, is going to go live in
10 September, late September.

11 Q All right. So thank you for walking through
12 that with me. I am trying to understand kind of the
13 timing of the project, and you have answered my
14 questions on that.

15 You would agree that the company expects that
16 the entire -- well, that \$34.3 million of capitalized
17 costs of WAM and AFUDC costs should be borne by
18 customers in rates set in this case?

19 A Yes.

20 Q Okay. I should know this, but is AFUDC part
21 of the 34.3 or is in addition to?

22 A It's in addition to.

23 Q Do you know offhand how much money that is?

24 A Not offhand.

25 Q Okay. Would Ms. Parsons know?

1 A She may.

2 Q Okay. When the case was filed, Peoples did
3 not reflect any savings or efficiencies to be achieved
4 in the test year from WAM at the time of the filing,
5 right?

6 A That's correct.

7 Q Okay. And recently the company has agreed to
8 recognize \$750,000 of savings in the form of reduced O&M
9 costs, is that your understanding?

10 A That's correct.

11 Q Okay. You would agree that PGS and Emera
12 expect to achieve far more than \$750,000 in savings over
13 time?

14 A We would expect -- PGS would certainly expect
15 that as we leverage the value that we've invested in in
16 this system. New technology does take time. As I
17 mentioned earlier, there is a lot of bugs with it,
18 especially one that is as complex as this.

19 As we learn more about it, we have, you know,
20 we have the belief that we will learn how to leverage it
21 even more, and so part of our business case did include
22 having a support team in place who would focus entirely
23 on making sure that -- I think the term was used
24 yesterday assuming -- we would sweat the asset, so
25 really leverage the investments that we've made. And

1 so, you know, that's part of the learning that we will
2 have with this system to get those efficiencies in time
3 and find more.

4 Q Okay. Let's go back to Tab 2 -- you would
5 think I would memorize these numbers by now -- 175. It
6 is Tab 2 in the book. And I want you to look on Bates
7 four. This is the 2022 refresh, and I guess it was a
8 five-year -- it was a strategy session for the upcoming
9 forecast horizon, right?

10 A Yes.

11 Q Okay. And we see under potential
12 opportunities, I think Mr. O'Connor already read these
13 aloud, reduce dependency on external labor as internal
14 revenue sources become more available and further WAM
15 efficiencies.

16 Would you agree that those two bullets are
17 sort of somewhat interdependent over a certain time
18 horizon?

19 A As I think about -- yes. And as I think about
20 work and asset management in a growing organization -- I
21 worked for organizations that were not growing and, you
22 know, you are making tough decisions about cutting cost.
23 In an organization like ours, which is fortunate enough
24 to grow and serve customers, investing in technology
25 like this, I think enables you to not have to hire

1 employees in the future as you gain efficiencies from
2 fully understanding how to leverage the system.

3 And as we talked about a million work orders,
4 you know, that's a lot of people to dispatch in any
5 given day throughout the state. And so using a system
6 like this to make sure that that's optimized, I am
7 hoping, in time, will enable us to be more efficient and
8 effective.

9 MR. REHWINKEL: Mr. Chairman, I need to ask
10 counsel if I can ask him a question out loud, I
11 will just take a second.

12 CHAIRMAN FAY: Okay.

13 (Discussion off the record.)

14 MR. REHWINKEL: Thank you, Mr. Chairman, and
15 thank you for the -- I just want to be careful.

16 BY MR. REHWINKEL:

17 **Q Mr. Richard, is there a possibility that at**
18 **some point in the future, WAM could be deployed to your**
19 **contract force?**

20 A WAM provides us with great opportunities, and
21 we've worked to benchmark ourselves against other
22 utilities, and we've come across some utilities who have
23 worked with their contractors, so those blanket
24 contractors who actually install the pipes, especially
25 on the high volume side, those 20,000 to 22,000 services

1 per year, where they are working with the LDC to
2 leverage that technology. Instead of having paper
3 invoices and emails, they are either supplied iPads as
4 well, or they bring their own technology and those
5 systems are linked together, where there is a more
6 seamless exchange of information and documents as they
7 execute that work.

8 Now, it's not part of our immediate plans, but
9 I think it's an opportunity to, again, leverage this
10 system even more by deploying it to the contractors who
11 build our assets on our behalf.

12 Q Okay. In any event, any modular deployment of
13 WAM to outside workforces is beyond the test year,
14 right?

15 A Very much so.

16 Q Okay. Let's go to four, Exhibit 4 -- I am
17 sorry, Tab 4, which is 174. And I am going to direct
18 you to -- well, I think we've already talked about
19 leveraging WAM. You have already read that, I think,
20 but let's go to page 13, Bates 13. The one with the
21 little blue cloud in the right. Do you see that?

22 A I do.

23 Q Okay. In the upper right-hand corner -- well,
24 strike that.

25 In the center, there is a people line -- well,

1 actually, there is a focus area line, and I think it
2 discusses WAM, is that right?

3 A Yes.

4 Q And this is talking about building from
5 progress and success in 2023?

6 A In the focus focused area, the first row is
7 WAM, is that where you are?

8 Q Yeah. I was just looking at the actual
9 heading of the document -- of that slide.

10 A Oh, building. Yes.

11 Q Okay. So is there anything that you can read
12 aloud in the WAM area in the intended outcomes in 2023
13 under that heading?

14 A Yes. Focusing on WAM intended outcomes in
15 2023, successful implementation adoption for all users,
16 pre-implementation, testing followed by training of all
17 operations personnel, implementation replacement of
18 multiple systems with WAM, post implementation, adoption
19 by all operations personnel, data management reporting
20 updates for system implementation measurement and
21 replacement of existing reports and analyses.

22 Q Okay. And then under people there, the second
23 bullet, can you read that aloud?

24 A Yes. Complete resource plans with executed
25 staffing in each division, balance internal and external

1 resources, seek cost-efficiencies in labor while
2 leveraging WAM.

3 Q Okay. I just wanted really that one WAM
4 bullet there.

5 This is referring to 2023?

6 A Intended outcomes in 2023 when this was put
7 together, correct.

8 Q Okay. And this document was from 2023 --
9 February of '23. What is the reference to seeking
10 cost-efficiencies -- I am sorry, to seek
11 cost-efficiencies in labor while leveraging WAM, is that
12 a 2023 goal?

13 A Yeah. I mean, you heard witness O'Connor
14 yesterday talk about how WAM is impacting his business.
15 It is an opportunity. It's clunky, very much so, but we
16 are in the process of learning the system. We are in
17 the process of working out the bugs.

18 His team has done a really good job adopting
19 the iPads. That hasn't been a barrier for us. So they
20 are using the iPads. We are now working in, instead of
21 five, in the fourth system, with the fifth coming. And
22 so as we continue to work with that, it is absolutely
23 part of our plan to leverage that system to become more
24 efficient.

25 I mentioned a million work orders per year.

1 To be able to use a system to deploy those folks across
2 the state in an optimized manner so that they reduce the
3 amount of time that they are holding on to a steering
4 wheel and increase the amount of time that they are
5 holding on to tools is absolutely an efficiency that we
6 are trying to gain.

7 **Q So would it be fair to say that, even though**
8 **Mr. O'Connor said he didn't think he had \$750,000 in the**
9 **budget that would reflect the commitment the company**
10 **made to the Commission, it's possible that there could**
11 **be some monetary savings that manifest in 2024?**

12 **A** It's -- it's -- no, I don't think so. And
13 here's where it gets a little bit challenging.

14 If you look at the -- you know, we provided
15 kind of 19 elements in the spreadsheet of where we
16 believed that there would be efficiencies, most of them
17 are 15 minutes here, 30 minutes there, and so when you
18 have a workforce spread out across the state, you have
19 to add up a lot of 15 minutes in one single area in
20 order to be able to get to a point where you have one,
21 an equivalent of one person.

22 And so what Tim's struggle is, is okay, we'll
23 recognize some savings because it's the right thing to
24 do for our customers, but how does he materialize that?
25 He can't not hire that person because he still needs him

1 in that division. And you walked him through each of
2 the divisions and the characteristics with them, that's
3 the challenge he is dealing with.

4 So it's not as easy saying, okay, 15 minutes
5 times X number of employees, that means we don't have to
6 hire X, it's tricky. And that's why we had the
7 progression of benefits in time. And we figured that
8 after four years, we would squeeze enough 15 minutes to
9 be able to make that equivalent to a person of that
10 perhaps would enable us not to have to hire that next
11 person. So it's -- it's -- that's the art.

12 **Q So I understand that, you know, I think --**
13 **wouldn't you agree that what the Commission has to**
14 **balance is they heard testimony about the sheer**
15 **magnitude of locates and the number of locates. You**
16 **talked about tasks in the millions, right. We looked at**
17 **Mr. O'Connor's exhibit of tasks in the millions. That**
18 **kind of volume also creates those little opportunities**
19 **that add up, right?**

20 **A** Yeah -- yes. And our best guess of those
21 efficiencies, when we put, you know, that estimated
22 benefits together, would have accounted for all of that.
23 And that's why we said, well, you know, we are not going
24 to get all the benefits when we turn the switch, just
25 like we saw with the new tools here, right. We were

1 able to use it in some ways, but some ways there is
2 probably some opportunities to improve it.

3 We see the very same thing in WAM, and I
4 believe that as we continue to push it, as we continue
5 to exploit the system, as we continue to make
6 modifications and changes, we will see more and more
7 opportunity to get some efficiencies. And I believe in
8 the end, that will be good for our customers, because we
9 will be much more efficient, much more effective.

10 Plus we've reduced a lot of risk by getting
11 rid of systems that were no longer supported. And those
12 types of risk, although, you can't put a dollar figure
13 on it, if a system gets hacked, if it fails and we are
14 not able to give in our customer commitments, if we are
15 not able to respond to an emergency request, that's
16 where it gets -- not tricky, but that's where it gets
17 concerning.

18 And so we are Work and Asset Management will,
19 at the time, give us the opportunity to realize those
20 benefits in time, and we've made the commitment to find
21 \$750,000 in 2024, which is going to be a challenge, but
22 at the same time, it produces a lot of the risks that I
23 just described of those five legacy systems, so it's
24 complex.

25 **Q So you are saying the Commission should accept**

1 and put into rates the entire \$35 million under the --
2 with the idea that you might save an employee or two in
3 '25 or '26?

4 A It's more than an employee or two. And I
5 think it's longer term -- a longer term view on the
6 business, a longer term view of the state, of the role
7 of natural gas in the economy, in our customers' lives.
8 This is an investment. It's a huge change management
9 exercise, and I believe that it will position our
10 company very, very well to continue to serve our
11 customers, and to continue to maintain our reliability
12 and our safety that we have been recognized for. So
13 this is absolutely a long-term investment with benefits
14 that we start -- you know, we've committed to 750,000,
15 which is year two benefits, and we are still in the
16 process of implementation, and 2024 is technically our
17 year one with the system. So we are committed.

18 Q Okay. Thank you.

19 MR. REHWINKEL: Mr. Chairman, I, you know --
20 ordinarily, I would insist on a yes or no, but I
21 think it's important that we fully explore this,
22 because it's important to the company, it's
23 important to the customers. So I am not seeking,
24 other than the time of day, I am not the seeking to
25 shorten his answers. I think it's important that

1 this be explored, so -- but it's you to you how you
2 want these answers kind of couched.

3 CHAIRMAN FAY: No, I would agree. The
4 clarification that's being provided is specific to
5 your question, so I think it's very helpful.

6 MR. REHWINKEL: Okay.

7 BY MR. REHWINKEL:

8 **Q If we could go to page 15 of this exhibit.**

9 A Of number two?

10 **Q Four, still on four. I am sorry. And this is**
11 **the one that says 2023 scorecards asset management**
12 **goals. Do you see that?**

13 A I do.

14 **Q Okay. Now, this is more on your side of the**
15 **fence in the ECT, is that right?**

16 A The scorecard itself or --

17 **Q Asset management goals.**

18 A Some of them. I see some at that are related
19 to my area, some are not.

20 **Q Okay. So the theme of operational excellence,**
21 **is that something that you can read aloud?**

22 A Yes. PGS must continue to partner with
23 contractors to ensure safety and focus on system
24 integrity to achieve high performance. Leveraging the
25 Work and Asset Management project will support effective

1 execution of the PGS growth strategy.

2 Q Okay. Is this -- and I am asking a bit of an
3 open-ended question here. I don't understand whether
4 this is related -- these sentences are interdependent or
5 they are just -- one's just about contractors and one is
6 just about WAM?

7 A They are two separate things.

8 Q Okay. Then the notes at the bottom, it talks
9 about -- well, under target, there is a threshold that
10 references WAM. Do you see that?

11 A Yes.

12 Q Okay. Is that something that you can read?

13 A Complete WAM implementation release two in
14 2023, maintain 90 percent system up time from R2 to year
15 end.

16 Q Okay. What does that mean?

17 A Implementing a new system, we are anticipating
18 that at least 90 percent of the time it will be
19 available to our technicians.

20 Q Okay.

21 A So when we did the implementation -- I am
22 sorry if I drag on, but when we did the implementation,
23 new system. And so we had a backup plan to, you know,
24 have paper just in case it didn't work. We said, look,
25 we are investing in this technology so we have to make

1 sure it works, so we -- the goal was too make sure it
2 was at least 90 percent.

3 **Q That sounds like a familiar story. I'm**
4 **talking about here.**

5 A Technology is challenging.

6 **Q So what has been your -- how are you doing on**
7 **this 90-percent number so far?**

8 A We are in over 95, maybe in the 97, 98
9 percent. We had two small outages that were related to
10 cloud service, but that was back up within hours.

11 **Q Now, you still had -- nobody is perfect, no**
12 **company, no organization is perfect. You still had**
13 **glitches under the old system, right? WAM wasn't**
14 **intended to introduce perfection into your business, was**
15 **it?**

16 A A couple of questions there.

17 **Q Yes.**

18 A Which one are you looking for?

19 **Q WAM -- the last one. WAM wasn't intended to**
20 **introduce perfection in your system, was it?**

21 A No technology is perfect. And my earlier
22 message on, you know, learning the technology, learning
23 how we can further enhance it, learning the tweaks that
24 we can make to it, that's going to be a journey, and we
25 believe that we can get a lot more out of it in time.

1 Q So is exceeding the 90-percent target -- first
2 of all, let me -- before I ask that question. Under the
3 notes thing, it -- there is a -- can you read the first
4 bullet under notes?

5 A All goals are to be completed by the end of Q4
6 unless otherwise stated.

7 Q So this a goal that Peoples' compensation is
8 based on?

9 A The scorecards is, yes.

10 Q Okay. And you are exceeding the 90-percent so
11 far implementation year-to-date, right?

12 A Yes.

13 Q Okay. So would you agree that that's sort of
14 one of the components of sweating the asset, is work a
15 little harder and make it more efficient, make it more
16 valuable?

17 A Yes. And Work and Asset Management is a
18 critical system for us. It's about running our business
19 to make sure that we get the leaks, make sure we respond
20 to emergencies, make sure that we complete customer
21 work. So it is critical. We absolutely want to make
22 sure that it's at the highest percentage.

23 Now, as we think about sweating the asset, I
24 am thinking more long-term. Sweating the asset means
25 we've made this event of 34, \$38 million. How can we

1 leverage it even more? So I talked about the idea of
2 working with our outside contractors. How can we -- you
3 know, are there opportunities to further enhance the
4 efficiency of our team members? As Tim and his team
5 learn more and more about the system, learn how to use
6 it, they will find opportunities. So that is absolutely
7 our long-term plan to continue to sweat that asset and
8 get as much out of it as we can.

9 **Q So if the Commission gives you rate recovery**
10 **on the entire 34.3 that's in your ask you continue to**
11 **accrue AFUDC on the unrecovered balance, which you**
12 **would, right, \$4 million is sufficient enough to get**
13 **AFUDC, right?**

14 **A** Once the project is in place, any enhancements
15 we make will be a separate from the original
16 implementation.

17 **Q Okay. So with this \$4 million, is that part**
18 **of something that will be in service before the end of**
19 **the test year?**

20 **A** Yes, it will be in service on September 22nd.

21 **Q Okay. So that -- those dollars would be**
22 **essentially not included in your rate recovery if you**
23 **get just the 34.3 plus AFUDC, is that right?**

24 **A** That's correct.

25 **Q Okay. So sweating the asset, anything that**

1 you can yield as an efficiency gain after December 31,
2 2024, that's in excess of the return of and on the \$4
3 million that you are not going to include and the
4 \$750,000 that you are building into the rates, anything
5 above that, if there is anything above that in '25, that
6 goes to the bottom line or shareholders; is that fair?

7 A I am not sure I would characterize it this
8 way. I believe that the commitments we've made to
9 \$750,000 for 2024 will be very difficult to get. Our
10 best estimates was that we would get about half of that,
11 and so I -- I can't bring myself to that point.

12 Q I am just saying if you assume that you do get
13 to that point, if you get \$1 million of efficiencies
14 in -- on a year-to-year basis in '25, that's going to be
15 in excess of the 750 that's built into rates, that
16 starts to go to the bottom line, right?

17 A You can make that -- yes, and you can make
18 that argument for many of our projects, right. So if --
19 some projects will be higher, some projects will be
20 lower. In areas we will have some unexpected costs and
21 in areas costs will be a little bit lower, so this would
22 be an example of a cost that would be a little bit, I
23 guess to the benefit, but there is a lot of other things
24 that could be to the negative. So it's part of running
25 the business.

1 Q Right.

2 Let's turn, if we can, to tab -- I don't know.

3 Do you have Exhibit 187, that big sheet?

4 A Yes.

5 MR. REHWINKEL: Mr. Chairman, this has been
6 distributed as 187, I believe, which was originally
7 OPC 67.

8 CHAIRMAN FAY: Okay. The WAM benefits
9 realization, is that it?

10 MR. REHWINKEL: Yes.

11 CHAIRMAN FAY: Okay.

12 MR. REHWINKEL: It's the 11 by 17 two-page
13 spreadsheet.

14 BY MR. REHWINKEL:

15 Q And I asked Mr. O'Connor questions about this,
16 which I expect that you saw.

17 A I did.

18 Q And is it -- is it your -- he testified that
19 he thought this was the most up-to-date information
20 about WAM, is that your understanding also?

21 A Yes. We created this document when we did the
22 original business case approval. We revised it in, I
23 think, March of 2022, as we understood more on how the
24 technology was going to work, how it was going to be
25 configured, and so at that time we did this revision.

1 Q Is there any reason why you didn't do another
2 one in advance of the rate case to see if there might be
3 more money that would occur sooner?

4 A No reason, but we are using the system, and so
5 now it's about not trying to go see if our theoretical
6 exercise has changed, but is to actually get to start
7 realizing those benefits, and working through the bugs,
8 and trying to make it more effective and efficient for
9 us.

10 Q Okay. On page -- the second page of this
11 document in the biggest blue quadrant there, or
12 rectangle, there is a phrase that says: Contractor
13 savings reduced 23-25. I don't know if that's a more or
14 less than sign. Do you understand what that means?

15 A Can you, the reference line number? I printed
16 mine on bigger pages so I could see it.

17 Q Oh, it's -- you see it's -- can I show you
18 from here? It's this.

19 A Oh, the summary, yes.

20 Q Yeah, the summary block. Contractor savings
21 reduced 23-25. I assume those are years?

22 A I don't see contractor, the reference to
23 contractors.

24 CHAIRMAN FAY: The last line in that summary.

25 THE WITNESS: Oh, I see. It's on another

1 page. Yes, I see it.

2 BY MR. REHWINKEL:

3 Q Okay. Are there more pages than just one
4 and --

5 A I just printed mine on big pages.

6 Q Oh, okay. You are smart.

7 All right. So can you tell me what this
8 means, contractor savings reduced 23 to 25?

9 A I don't recall.

10 Q What is the reference to TPI there? Is that
11 TECO Partners?

12 A It is. We've identified areas where there
13 would be some benefits to TECO Partners.

14 Q Okay. Now, did TECO Partners get benefits
15 starting right away this?

16 A I think there was only one line item that was,
17 I think line item number six, as I take a quick glance.
18 And when we did the revision -- I just want to make
19 sure. There may not have been any left. Let me just
20 confirm. No, so there are some --

21 Q Okay.

22 A -- yep, there are some for TPI.

23 Q And these are in '23 and '26?

24 A We didn't put a time on it. It's part of the
25 table that sums up with the overall numbers presented in

1 blue.

2 Q Okay. I was just looking on line six all the
3 way across.

4 A Yep.

5 Q There is a few -- 25,000 -- 26,000 in '23 and
6 104,000 in '26?

7 A Yes. And the difference between 2023 and 2026
8 and 2023 being year one, which actually ended up being
9 2024, and a slow progression, or a linear regression to
10 full realization of benefits after four years of use,
11 which is why the two columns.

12 MR. REHWINKEL: Okay. Mr. Chairman, if you
13 give me a second, we go through these dialogues,
14 and the dialogue reduces questions that I have.

15 CHAIRMAN FAY: Okay. We are not -- we are not
16 opposed to efficiencies, Mr. Rehwinkel.

17 MR. REHWINKEL: Okay.

18 BY MR. REHWINKEL:

19 Q So what I am trying to understand, and I have
20 explored this, I think at some length in detail with
21 you, and I appreciate your answers on this, was there a
22 delay in WAM from -- we looked at the history of this
23 from the statement of work number two through the change
24 orders and the schedule that you are looking at right
25 now, did that delay push out savings that might have

1 **occurred in '24 to beyond the test year?**

2 A I can say that when we originally had the
3 project planned we assumed the year one benefits, which
4 is 25 percent of the overall benefits would be in the
5 year 2023. Because of the various delays that we
6 encountered in WAM, and our deployment schedule, those
7 benefits were delayed by one year, to 2024. I believe
8 that answers the question.

9 **Q So the \$750,000, is that sort of reside in**
10 **what you thought you might be able to get out of '24?**

11 A If I take the latest information that we have,
12 we believe that year one would have yielded 363,000 in
13 2024. So we are offering 750, which --

14 **Q Where did you see that number? Where --**

15 A So if I look at the blue table --

16 **Q Okay.**

17 A -- 2023 revised O&M, 363,000, that would be
18 year one benefits. Year one benefits, it's not 2023,
19 because it's the old document, so it's actually 2024,
20 and so we had anticipated benefits of 363,000 in year
21 one, again, using this theoretical exercise where we are
22 taking 15 minutes here and there, and 726 by year two,
23 which would be 2025. The commitment we are making to
24 our customers, and to recognize the value of the
25 implementation and investment in this technology, is to

1 recognize 750,000 in year one as opposed to the 363
2 that's in the spreadsheet.

3 Q Okay. So if we look at the way you are
4 explaining it, if I go to the revised O&M box that has
5 363,214 in '23 and 726,429 in '24, you are just -- and
6 then the other numbers below that, you are just saying
7 everything got pushed down one year?

8 A That's correct.

9 Q Okay. That assumes that knowledge was static
10 as of '22, when you did this document, and there is no
11 learning, there is no sweating of the asset that's
12 occurring, these numbers could be better?

13 A After working at the project for 12 to 18
14 months, whatever the timing is, to get to March of 2022,
15 where the bulk of the system had already been designed
16 and we were getting, March of 2022, we are getting ready
17 for implementation, at that time, this was the
18 information that we had available, that was the best
19 guess of the benefits that we would receive.

20 And as you can see, between November of 2020
21 to March of 2022, there are some changes, but generally
22 speaking, most of the benefits are still there. And in
23 fact, in some cases we found more, and in other areas we
24 thought, well, maybe they are not applicable anymore.
25 So generally speaking, it's been fairly consistent on

1 the benefits side.

2 **Q Okay. Just to confirm, there are no WAM**
3 **related contractor savings in the rate case, is that**
4 **right?**

5 A That's correct. When you say contractors, can
6 you --

7 **Q I am talking about vendors that provide labor**
8 **services to the company other than team members.**

9 A I am not sure there isn't. I would have to go
10 through the spreadsheet. When you originally asked the
11 question, I assumed you meant contractors that I am
12 responsible for, which are the blanket contractors. But
13 if you mean contractors more generally, there could be,
14 but I would have to reads through each line.

15 **Q You mean over in Mr. O'Connor's shop?**

16 A Yes.

17 **Q Okay. So if he gave an answer on that, we**
18 **would have to kind of stand on his, or would you know**
19 **more about it than he would?**

20 A I think it may be a combination of both, I
21 would have to read through the spreadsheet, and he could
22 tell -- he could tell you, in his shop with this
23 technology, if there is benefits that would extend to
24 contractors.

25 I am assuming, if he is -- if he has

1 contracted labor who is using the technology, that that
2 would create some efficiencies for that contracted labor
3 as well, but that's his area.

4 **Q You are not pushing this out to contractors in**
5 **any part of the company, right, at this time?**

6 A If we are -- again, Tim could speak to this,
7 but if he has an employee who is hired as a contractor
8 and not a full-time equivalent who is doing service work
9 or whatever, it's foreseeable that he could, or she
10 could be using that iPad, but we are talking about a
11 very select few number of people.

12 **Q Okay. I -- this is a concept I haven't heard**
13 **of, so I got to ask you about this. A contractor who is**
14 **an employee, what does that mean?**

15 A Tim mentioned yesterday locaters, all right.
16 So he has some locaters that are contracted versus our
17 PGS team members. In those cases, those contractors are
18 getting their work orders. They would be using iPads to
19 get their work.

20 **Q Okay. Well, is there anything in this**
21 **spreadsheet that talks about that kind of an efficiency**
22 **yielding WAM benefits?**

23 A The spreadsheet we just reviewed?

24 **Q Yeah.**

25 A That's what I mentioned earlier. I would have

1 to go through each line item. It's Tim's area in how he
2 staffs his operations, so I can't speak to that. I am
3 not sure.

4 **Q Okay.**

5 A And I think we've already recognized that the
6 efficiencies that we are going to commit to the \$750,000
7 would, you know, in large part be in his area, and so
8 how he, I guess, how to achieve that.

9 **Q If there were such contractor, slash, employee**
10 **savings related to WAM, are you saying they would have**
11 **been baked into the budget last year for the test year?**

12 A I think we've already said that -- no, we've
13 already said that we haven't baked in any --

14 **Q Okay. That's -- that's what I was trying to**
15 **get at. But you are saying that going forward, there**
16 **may be savings that can be sweated out of the asset?**

17 A Yeah. Yep.

18 **Q Okay.**

19 A And the 750 that we have committed to is our
20 part of the savings that we want to recognize for the
21 solution.

22 **Q Okay. But --**

23 MR. REHWINKEL: All right. Mr. Chairman, I am
24 done with WAM and I am about to go -- oh, I am
25 sorry excuse me.

1 I apologize. I understand I have one limited
2 line of cross for WAM, and I think we will go back
3 to Tab 11 -- yeah, I am sorry.

4 CHAIRMAN FAY: Okay. And which is also 213 --
5 marked as 213?

6 MR. REHWINKEL: Yes, 213, Mr. Chairman. Thank
7 you. And to page 30.

8 BY MR. REHWINKEL:

9 Q Let me know when you get there, Mr. Richard.

10 A Okay.

11 Q I am going to -- when you get there, I am
12 going to direct you to the, kind of the bottom quarter
13 of that page. And again, recognize this is a
14 confidential document.

15 A And which part?

16 Q So it's -- it starts with the asterisks four.
17 Did I say 10C, is that the one you are on?

18 A No, I was on the wrong 30.

19 Q Oh, I am sorry. This is 10C, which is the --

20 A Okay, I am there.

21 Q -- change order number one.

22 Okay. And there are performance targets that
23 appears for your vendor that are described here with
24 some exceptions, is that a fair characterization of
25 this?

1 A Yes.

2 Q Okay. So recognizing the sensitivity of a
3 document like this maybe, do you see where it says
4 "exceptions"?

5 A Yes.

6 Q All right. Can you tell me whether any of the
7 exceptions indicated there, that references delays,
8 there is two mentions of delays?

9 A Yes, and I just want to read the section to
10 make sure I understand.

11 Q Okay.

12 A Okay.

13 Q Does this reference delays by the customer or
14 the vendor?

15 A On the left-hand side in exceptions for the
16 delay on the left-hand side is the delay caused by the
17 system integrator in this case.

18 Q Okay. What about on the right-hand side?

19 A I am sorry, I will change that as I read that,
20 if it's -- that would be on PGS side. The right-hand
21 side would be -- I can't say definitively.

22 Q About the right-hand side?

23 A I am not -- either or, I'm not sure as I read
24 that.

25 Q Okay. Do you know if there were any

1 exceptions to any of the milestone requirements that you
2 might have had in the performance measures of this
3 contract that were related to Peoples not being able to
4 perform?

5 A We had one delay that was caused due to
6 Hurricane Ian where we had to stand down our team from
7 working on the project and focus on the hurricane
8 preparation and then restoration. So we did lose some
9 time related to that, and that would be an exception
10 where we were not able to provide the staffing. That's
11 the only one that I am aware of.

12 Q Okay. There weren't any delays that were a
13 result of something customers did, though, right?

14 A Customers, Peoples --

15 Q Peoples' customers.

16 A No.

17 Q Okay. All right.

18 MR. REHWINKEL: Okay. Now, Mr. Chairman, I am
19 done with WAM.

20 CHAIRMAN FAY: Okay.

21 MR. REHWINKEL: I am about to turn to
22 SeaCoast, and I think this might take 30 more
23 minutes.

24 CHAIRMAN FAY: Okay. Go ahead.

25 BY MR. REHWINKEL:

1 Q So I would like to turn a little bit to ECT
2 and its relationship with SeaCoast as it impacts
3 Peoples' capital budget and O&M budget, and the employee
4 hirings that you support in your testimony, okay?

5 A Okay.

6 Q In your position as Vice-President of
7 Engineering, Construction and Technology, you are
8 responsible for performing or supervising preliminary
9 project cost assessment, cost estimates, complete
10 engineering -- and completing engineering, design and
11 construction supervision of SeaCoast pipeline projects;
12 is that fair?

13 A Yes.

14 Q Your shop has served these roles and functions
15 for both PGS and SeaCoast in the past, is that right?

16 A That's correct.

17 Q And ECT also stands ready to serve in this
18 capacity now and in the future, right?

19 A Yes.

20 Q And isn't it true that your staffing needs are
21 driven, at least in part, by the combined demands of
22 both PGS and its SeaCoast pipeline affiliates
23 construction piece?

24 A Yes, but when you say in part, you look at the
25 size of SeaCoast versus Peoples Gas, we've built four

1 pipes, four projects, compared to an overall capital
2 budget to serve our 470,000 customers in all of the
3 other projects that we have put in place, and so it
4 would be very small, and only when projects materialize,
5 and again, it's happened four times.

6 Q Okay. Now, you are talking about the full
7 course of services from original evaluation, original
8 cost estimates going through, something like a 5, 4, 3,
9 2, 1, to execution of the contract and then built,
10 right, that's what you were just talking about?

11 A Which is the function of our group, yes.

12 Q Okay. But your group also does functions
13 related to cost estimates. You provide costs estimates
14 at a high level so business development can evaluate a
15 project about whether to take it to the next step,
16 right?

17 A That's correct.

18 Q Okay. And so those costs all have to be
19 performed by human beings, right, engineers?

20 A That's correct.

21 Q Okay. I mean, those tasks have to be. And
22 then there are costs associated with having that person
23 at a desk working to provide those estimates, right?

24 A Yes.

25 Q Okay. And as far as PGS and Emera are

1 concerned, there is no difference between a SeaCoast --
2 between SeaCoast and PGS in terms of how pipeline
3 projects are handled for cost estimation, engineering,
4 design -- and engineering design supervision and
5 construction oversight and supervision, and the capital
6 management -- well, let me stop there. Would you agree
7 with that?

8 A No. Emera doesn't have a part to play in how
9 we manage the execution of our capital work. We, at
10 PGS, have an obligation to ensure that we are providing
11 quality estimates, that we are reporting, you know,
12 assets in the ground in a way that is safe, that is
13 efficient and effective, and we have those principles
14 whether it's a SeaCoast project or a Peoples Gas
15 project. But that's PGS, not Emera.

16 Q Okay. Fair enough. But even PGS, and the
17 governance and executive team in PGS, they expect a
18 SeaCoast or a Peoples Gas pipeline to be treated exactly
19 the same in terms of the quality of engineering work
20 that's applied to a project no matter what stage it's
21 at, right?

22 A Correct.

23 Q Okay. You would agree that Emera does have a
24 say in what SeaCoast does from a business standpoint,
25 right? They provide the capital for them, right?

1 A They provide the capital to fund our overall
2 capital program, but it's up to Peoples Gas, our
3 governance and our board, to make decisions on where and
4 how we invest those dollars.

5 **Q Okay. When Peoples prepared the O&M and**
6 **capital budget for this case, you did not make any**
7 **special adjustments to accommodate SeaCoast and the**
8 **potential for SeaCoast pipeline projects in the test**
9 **year, did you?**

10 A No, we -- we budget and allocate time on an
11 O&M and capital basis, and using an allocation method,
12 the Modified Massachusetts Method. So part of our team,
13 our gas control team and our management regulation team,
14 allocate part of their costs because they monitor and
15 measure and manage those pipeline assets, which is a
16 fairly consistent workload year after year, so we would
17 have dollars in the budget allocated to that.

18 We also have, based on that percentage
19 allocation, we have allocated dollars from our integrity
20 management group, our engineering group, our
21 administrative group, whether or not there is a project
22 cost to get allocated to SeaCoast. And for 2024, we are
23 not working on or projected to work on any SeaCoast
24 assets, and yet we are allocating some costs to that.

25 **Q Well, when you say you are not working on, you**

1 are not building a SeaCoast pipeline, is that what you
2 meant?

3 A We are currently -- our team is not currently
4 working on any SeaCoast projects.

5 Q Okay. In '23?

6 A '23, and we don't have any in '24 that we
7 see.

8 Q But you don't know whether something will come
9 in the door, do you?

10 A That's true.

11 Q Okay.

12 A Based on everything we know today, we don't
13 have any SeaCoast projects that we are working on. I
14 can't speak to the future.

15 Q Okay. But you -- at any given time, you have
16 been involved in maybe a handful of SeaCoast projects
17 from construction to just an estimation, or high level
18 estimate, right?

19 A Yeah, I mentioned before we have four. I have
20 never been involved directly in a SeaCoast project in my
21 time in this role, but the gas supply and development
22 team, you are right, may bring us a project that would
23 be deemed a SeaCoast project, and we would work on that.

24 Q Okay. Let's go look at Tab 2, please. This
25 is at 175, and I will take to you Bates nine. Let's

1 just remind everyone what the date of this document is.
2 I think it's June of '22. Do you see that?

3 A I do.

4 Q So this is June 7th of '22, that was, like, a
5 day before the first budget date that we saw in exhibit
6 -- the budget schedule document. Do you recall that?

7 A What am I recalling? Can you --

8 Q This '23 budget schedule.

9 A Yes, okay.

10 Q The very first milestone there was June 8th
11 through 27th, do you recall that?

12 A I do recall that.

13 Q Okay. This -- this document is from the day
14 before that, right, June 7th, '22?

15 A June 7th, before this one, which is --

16 Q When I say this, I am talking about Tab 2.

17 A June 7th. Yes.

18 Q Okay. So when we look on this page, at the
19 time you are doing your O&M and capital budget, this is
20 a deck slide that's entitled pipelines, and it's
21 confidential, right?

22 A Yes.

23 Q Okay. Now, you would agree with me that at
24 this time, there were -- these two maps, they show PGS
25 pipeline projects, and it has the word opportunities, so

1 this runs the gamut of, you know, basically -- what is
2 it -- what's the -- early development, near approval and
3 execution, those are the three colors for the legend
4 there, right?

5 A Yes.

6 Q Okay. So it looks like there is six SeaCoast
7 project names and 12 PGS project names there, right?

8 A Subject to check, yeah, it looks --

9 Q I know it's tiny.

10 A Yep.

11 Q And if you add up the dollars, the dollar
12 value that's in that legend, would you accept that there
13 is 181 million for SeaCoast and 365 for Peoples?

14 A Subject to checking the numbers, I will take
15 your numbers.

16 Q Okay. So that -- if you added this up, it
17 would be about 33 percent, almost exactly, of SeaCoast
18 projects to Peoples projects, right?

19 A That's the math. Yes.

20 Q Okay. So -- and it says in market
21 opportunities in the lower left there -- could you just
22 read the part in the bottom line that's in the
23 parentheticals without getting into the numerical -- the
24 dollar values?

25 A I am not sure where you are.

1 Q Oh, they lower left-hand corner of that page.
2 Just to the left of the map.

3 A Market opportunities?

4 Q Yes. Just the part in parenthesis, can you
5 read that?

6 A And SeaCoast?

7 Q Well, the parenthetical below that. You see,
8 there is a dollar value there, which I am not trying to
9 get you to read.

10 A Not all included on the right?

11 Q Yes. Yes. So this is saying that there could
12 be more than just what is shown in these maps on this
13 date, right?

14 A Lew Rutkin, which you have had a chance to
15 discuss, he has the gas supply and development team.
16 His job and his role is to work with industry, work with
17 industrial customers throughout the state to make sure
18 that they are aware that there is natural gas as an
19 option. And so his team is looking at a multitude of
20 projects that could be purely early stages, it could be
21 a little bit more advanced. We may not see everything.
22 So the details behind these projects I can't speak to,
23 but that would be his view, and I believe he had the
24 opportunity to explore that with him.

25 Q Well, what I am exploring with you is in the

1 ECT, if they bring -- I mean, every color is in the
2 SeaCoast in the legend here, one, two, three, four,
3 five, six. There is four blue ones, one burnt orange
4 and one maroon one, right?

5 A Correct.

6 Q So ECT would have to touch these projects to
7 give them cost estimates, right?

8 A Not necessarily. If they are simply speaking
9 to a third party who has an interest in a pipeline would
10 not, you know, you look defining that as a market
11 opportunity, I mean, he can speak to these projects,
12 only one when it's serious enough that we need to put a
13 cost estimate together to see if the economics work
14 would come to my group, a very different exercise.

15 Q Let's look at that. I would like to keep this
16 page with this map on it, if you can take it out of the
17 book or keep your finger on it and go to 66, which is
18 the cost estimating document, 209? 201. I don't think
19 I gave you have the right number. Yes -- yeah, 211. I
20 am sorry. Which is Tab 66. This is the cost estimating
21 document. Do you see that?

22 A I do.

23 Q Okay. And I want to take you back to Bates
24 17.

25 MR. REHWINKEL: Again, this is a confidential

1 document, but I am going to pass out, Mr. Chairman,
2 a new confidential document that is an enlargement
3 of this page, because this is almost impossible to
4 read it.

5 CHAIRMAN FAY: Okay.

6 MR. REHWINKEL: And this is entitled Exhibit
7 B, the Cost Estimating Document -- I should have
8 called it Appendix B, because that's what it says.

9 CHAIRMAN FAY: And then we could just mark
10 this one 214.

11 MR. THOMPSON: Mr. Chair, do we already -- I
12 think we already have a 214.

13 CHAIRMAN FAY: 215.

14 (Whereupon, Exhibit No. 215 was marked for
15 identification.)

16 CHAIRMAN FAY: Mr. Rehwinkel, do we need to
17 keep 211 out now that you have enlarged, provided
18 us with this enlargement of 2C.

19 MR. REHWINKEL: I don't think we do.

20 CHAIRMAN FAY: Okay.

21 MR. REHWINKEL: So I think we can go back to
22 -- I think we can go back to tab -- I get all of my
23 tabs -- Tab 2 maybe yes, Tab 2, Exhibit 175, just
24 kind of maybe side-by-side these documents.

25 CHAIRMAN FAY: I am sorry, Mr. Rehwinkel, Tab

1 2, I have Exhibit 211, so which --

2 MR. REHWINKEL: Tab 2 is the --

3 CHAIRMAN FAY: Oh, 175.

4 MR. REHWINKEL: -- 175. It's the June 7th
5 document.

6 BY MR. REHWINKEL:

7 Q And I am not going to say the name of any of
8 these projects here, because I think many, it if not all
9 of them, may be non-public.

10 A Correct.

11 Q I am sure you know that, but I don't want to
12 hear any answer -- I am not eliciting any answers like
13 that.

14 A Understood.

15 Q So we -- you would agree with me that I
16 faithfully enlarged this Exhibit B from your cost
17 estimating document, would you not? Would you accept
18 that?

19 A Yes, which is the example provided in the
20 appendix?

21 Q Yeah.

22 A Yep.

23 Q Now, this is -- these are real screen shots,
24 if you will, from your cost estimating software system,
25 right?

1 A Yes.

2 Q Okay. That's one of the reasons why the
3 document itself is confidential, right?

4 A Yes.

5 Q Okay. So if we -- that document came out in
6 September of '22. This -- these two maps here are dated
7 June of '22, right?

8 A Yes.

9 Q Okay. So when I look at item number six on
10 this -- and I am only going to be talking about SeaCoast
11 map -- item number six on the SeaCoast map, that
12 corresponds -- does that correspond to an item that's in
13 on Exhibit 215?

14 A Is six, you are referring to Tab 2 --

15 Q Yeah.

16 A -- item number six which is on the right-hand
17 map?

18 Q I am on the map, yes. In the SeaCoast map
19 only.

20 A I don't recognize the name of -- so you are
21 asking if the name of that project --

22 Q Well, I -- let's forget that one for a second.
23 Let's go to Item No. 5.

24 A Okay.

25 Q All right. And we see, if you go to the

1 Appendix B document, 215. In the upper right-hand
2 corner, we see that this is -- it looks like there is a
3 file here in your cost estimating software that --

4 A Yes.

5 Q -- generates an estimate.

6 A The project here does it on both.

7 Q Okay.

8 A Yep.

9 Q And then we go to --

10 A However, I will note that the date is 2020 --

11 Q Okay.

12 A -- on that specific one.

13 Q But then we see item number four on the
14 SeaCoast map, and we see that same one in the lower
15 right-hand quadrant of that document under project. Do
16 you see that?

17 A Yep.

18 Q Okay. And there is a project in the upper
19 left-hand quadrant under project details. Do you see
20 that? And there are several mentions of SCT, and they
21 are related to that?

22 A Yes, under TECO 365?

23 Q Yes, sir.

24 A Yes, I see that.

25 Q Okay. Is that a SeaCoast related project?

1 A I am not sure. I am not sure.

2 Q Okay. So at the time you were developing the
3 budget, there were projects being discussed, and there
4 was cost estimating work done related to some of those
5 projects, correct?

6 A Yes, and as I mentioned before with the
7 business, the gas supply and development team to have a
8 variety of projects that are ongoing at any given time.
9 In some cases they come to our group, we give a high
10 level estimate, and then it gets shelved because the
11 customer is not ready, they were just looking for
12 indicative pricing. And so projects will go to sleep
13 and come back to life over a variety of years sometimes,
14 and so there is -- there are projects, obviously, that
15 have been identified that we have been working on, but
16 they are all in various stages of development. And I
17 believe that the allocation that we've made in our
18 budgeting to reflect the amount of time our team spends
19 on those projects is appropriate with the three areas
20 that we've identified.

21 Q It seemed to me that your initial answers to
22 me were based on these costs getting moved from the test
23 year -- let me step back and say the test year of
24 SeaCoast allocations out of ECT were developed based on
25 '22 numbers that were grossed up with a gross-up factor,

1 correct?

2 A Yeah, our methodology is looking at previous
3 years --

4 Q Right.

5 A -- and then there is an escalation factor that
6 is applied. So based on the previous year's activities,
7 we would be reflecting those costs on a go-forward basis
8 whether it is activity or not.

9 Q Okay. And what I heard you say, and I want to
10 understand for the record, is that if there was not an
11 active project, there was a work order open on, let's
12 say, you wouldn't be shifting costs from Peoples to
13 SeaCoast?

14 A That's correct, in our allocation method.

15 Q Okay. But what we looked at in these
16 documents here is if there was a project pending, then
17 these guys, the business development or the business
18 side needed you to do work, you had to have an engineer
19 available do that work, right?

20 A Yes. And our team of -- when you think about
21 the size of our business and of our capital program, we
22 have four engineers, and those four engineers would
23 typically work on these types of projects, and so we
24 staff our very small foundation and then master service
25 agreements with a variety of engineering firms who have

1 various specials, but they are also in place to help us
2 manage the workload.

3 And so when we have requirements to provide
4 more engineering services than those four, we would go
5 to contractors to help us do that. Now, in our employee
6 plan, we plan to bring that from four to five, because
7 that foundation and that growth that we see, and have
8 continued to see, has been -- has escalated, and we feel
9 comfortable that that foundation can be grown by one
10 more, which will reduce the reliance in having to go to
11 those four third parties to manage the workload as it
12 increases.

13 **Q But you don't use the contract services to do**
14 **this preliminary high level estimation work?**

15 A Not high level. But when we get to more
16 detailed engineering, we will certainly rely on those
17 experts.

18 **Q Right. Do you know if SeaCoast could**
19 **potentially be involved in any RNG projects in the**
20 **future?**

21 A Not that I am aware of.

22 **Q Okay. So if I go back and look on this map on**
23 **page nine of Exhibit 174 -- 175, Tab 2.**

24 A I closed it too early.

25 **Q I apologize. I should have just taken you,**

1 not to that, but the one-pager, Appendix B, or Exhibit
2 215.

3 Do you see in the lower right-hand quadrant
4 halfway down there is an RNG reference?

5 A Yes. The one that's archived, so I was not
6 aware of that one so it may have been older.

7 Q Okay. But it's a SeaCoast potential project,
8 right?

9 A That's what this says, yes.

10 Q Okay. Do you know if there has been some
11 sorts of change about that kind of stuff is never going
12 to be pursued?

13 A I am not aware.

14 Q Okay.

15 MR. REHWINKEL: All right. Let's go, if we
16 can, I think on the very final stages of questions
17 here, if we could go to Exhibit OPC 28, I think I
18 need a -- 216, Mr. Chairman?

19 CHAIRMAN FAY: Okay. We will mark that 216.

20 (Whereupon, Exhibit No. 216 was marked for
21 identification.)

22 CHAIRMAN FAY: Mr. Rehwinkel, I am just going
23 to put my 215 on top of all the other confidential
24 here so when we submit it back --

25 MR. REHWINKEL: Okay. I think there is a

1 pocket that you can tuck it into there.

2 CHAIRMAN FAY: Okay.

3 MR. REHWINKEL: Oh, you don't have a binder.

4 CHAIRMAN FAY: Yeah.

5 MR. REHWINKEL: Yeah.

6 CHAIRMAN FAY: I will just put it on the front

7 and then make sure they all go back.

8 BY MR. REHWINKEL:

9 Q Okay. Do you have -- so this is Late Filed
10 Exhibits 14 and 15 from June 1, 2023, Richard
11 deposition. And I think of you gave me a deposition
12 exhibit that just said that the SeaCoast budget hadn't
13 been done at the time of your deposition?

14 A That's correct.

15 Q Has it been done now, to your knowledge?

16 A I am not aware.

17 Q Okay. On the Bates 3, this is what I want to
18 talk you to about. This -- would you agree that this
19 shows sort of the costs that would have ended up being
20 shifted from Peoples to SeaCoast in the test year, from
21 your organization?

22 A Yes.

23 Q Okay. And what we see here is direct charge
24 labor to SeaCoast, and I just want to look really at the
25 engineering arena. There are \$76,000 of engineering

1 that says, SeaCoast capital, that were escalated to a
2 total of 84,168, is it that right?

3 A Direct charge. Yes.

4 Q Okay. And then in the allocated costs
5 segment, these are allocated based on a factor, it looks
6 like a 4.8 percent, do you see that?

7 A I do.

8 Q Okay. And these have two -- well, it says,
9 engineering, and out of a pot of 623,347,000, you
10 allocate 29,921, that grows to 31,415 in the test year,
11 is that right?

12 A Yes.

13 Q Okay. So in the test year, it looks like
14 there is a little over -- there is about \$115,000 of
15 engineering costs shifted away from Peoples ECT to
16 SeaCoast; is that right?

17 A That's correct. And I mention we have a team
18 of four engineers, we have a team of four project
19 managers. The engineers go through the estimating
20 process, so it's a portion of their time. And the
21 project managers, if there were to be a project, would
22 be responsible to manage the project, and they would
23 direct charge, if that is what the case.

24 Q Okay. So would you agree with me that that
25 \$115,000 represents less than the fully loaded costs of

1 **an Engineer I?**

2 A I am not familiar with the fully loaded costs
3 of an Engineer I.

4 Q Okay. Are you familiar with what the salary
5 of an Engineer I?

6 A No.

7 Q Okay. Is that something you --

8 A Ballpark?

9 Q Well, I can do this, which is I have an
10 exhibit at Tab 13, you should be able to access it.

11 MR. REHWINKEL: This would need an exhibit,
12 Mr. Chairman. No. 217, and it says Selected ECT
13 Employee Compensation.

14 CHAIRMAN FAY: Yeah, we will mark that 217.

15 (Whereupon, Exhibit No. 217 was marked for
16 identification.)

17 BY MR. REHWINKEL:

18 Q Okay. I am going to ask you to go past tab --
19 I mean, OPC 1 for a second, and let me explain what I
20 have done here, but before I explain that. You
21 mentioned a team of four engineers. Are there engineers
22 who work for Peoples who are not in ECT?

23 A Are you asking if there is people within with
24 engineering designations who are not in my group?

25 Q Yes.

1 A It's possible.

2 Q Okay. Well, what I have done is the company
3 provided us in discovery Interrogatory 27, and it had
4 ever employee's job title, there base pay and any
5 incentive compensation on it. What I did is I, except
6 for two people I think in Mr. Rutkin's area that I am
7 not going to ask you about, I went, and anybody who had
8 engineering, I did not redact their information.

9 A Okay.

10 Q So every -- everything else is redacted. This
11 is an extremely sensitive document. And even though I
12 have just a handful of people on here, that's extensive,
13 so I just want to ask you about these people here.

14 A Understood.

15 Q So I am looking at Employee 10, and I think I
16 can say the name of the job title?

17 A You can.

18 Q So Construction Project Manager II, PGS
19 Engineering, is that under your group?

20 A Yes.

21 Q Okay. And then the stuff to the right is just
22 pay. Construction Inspector, is that under your group?

23 A Yes.

24 Q And then No. 33, Senior Manager Transmission
25 Engineer, probably engineering and construction, is that

1 **within your group?**

2 A Yes. And when you say my group --

3 **Q ECT.**

4 A -- you recognize there is a high volume side
5 of my group, which, for example, Construction Inspector
6 would likely be in, so it would not -- completely
7 separate side of the business, would not touch SeaCoast.
8 But Senior Manager of Engineering and Construction, or
9 Transmission, Engineering and Construction, transmission
10 lines, yes.

11 **Q Okay. So a construction inspector would be**
12 **one of those costs that unless you were building a**
13 **project, you would have no need to do a construction**
14 **inspection or supervision?**

15 A We would typically contract that out as part
16 of the construction of the pipeline.

17 **Q Okay.**

18 A It's very unique. Transmission projects are
19 very different than the distribution system.

20 **Q Okay. So Construction Project Manager II,**
21 **that would be somebody in your shop?**

22 A Yes.

23 **Q Okay. Then item -- or Employee 48, Senior**
24 **Manager ENC Technical Services, is that a --**

25 A They would be in our support team, and under

1 that team would have GIS integrity management codes and
2 standards.

3 **Q Okay.**

4 A Which they would maintain, and we have them
5 referenced on the exhibit that you referred to earlier.
6 So they would not be engaged anymore or any less than if
7 there was a project, because they are providing a
8 support function for all of our operating pipelines.

9 **Q Okay. The next page, 156, Director**
10 **Engineering and Technical Services.**

11 A That is the person who is ultimately
12 responsible for the function that I just described.

13 **Q Okay. So would that touch SeaCoast?**

14 A Indirectly. As I mentioned, we have a
15 charge-out from our integrity management group codes and
16 standards how we built the assets, so it's regardless of
17 whether or not there is a construction project, they are
18 doing that on behalf of all of our pipelines.

19 **Q All right. 218 is Engineer or Senior**
20 **Engineer, is that somebody who would be in your**
21 **engineering group?**

22 A They could be either in the technical services
23 side or on the engineering estimating side or the
24 project management side.

25 **Q Okay. So engineering estimate side, those are**

1 the four people we have been talking about?

2 A Yes.

3 Q So they would only -- how many senior
4 engineers do you have there?

5 A We have four total. I am not sure which
6 designation they have.

7 Q All right.

8 A But they typically are professional engineers.

9 Q Okay. 294 is an Engineer III?

10 A Yes.

11 Q That's somebody who could be --

12 A Could be.

13 Q Okay. Gas design project --

14 A That's on the --

15 Q -- distribution?

16 A -- distribution.

17 Q Okay. And then you have Engineer II and
18 Engineer I below that, could be?

19 A Could be.

20 Q Okay. And then on the next page, we have
21 Engineer II, Engineer I, Engineer -- Senior Engineer?

22 A Yeah. Total, we have 150, a little over 150
23 people in my group.

24 Q Yes.

25 A And engineers in all corners of that group.

1 **Q** **Okay. So I thought that was the last one,**
2 **maybe not.**

3 **A** I have got 103 of them in the operations side,
4 which is mostly on the distribution.

5 **Q** **Okay.**

6 **A** So there is, again, the four and the four
7 typically engineers.

8 **Q** **So -- I think my last page is the one I wanted**
9 **to ask you about.**

10 **Let's go to Bates 8, the very last page,**
11 **Employee No. 650, Director Engineering, Planning and**
12 **Construction?**

13 **A** Yes.

14 **Q** **Is that somebody who would be involved in --**

15 **A** Yeah, so he is responsible for the
16 construction of all of our assets --

17 **Q** **Okay.**

18 **A** -- whether they are distribution assets or
19 transmission assets. And under transmission, whether
20 they are Peoples Gas or SeaCoast.

21 **Q** **Okay. And his time would be the kind of time**
22 **that you would expect only to get charged if what is a**
23 **project?**

24 **A** Yeah, I believe he is covered under one of the
25 cost centers that you have distributed in your handout.

1 Q All right. So he -- this person's time would
2 not get charged through to a cost estimating kind of a
3 task, right?

4 A His cost would be covered under the Modified
5 Massachusetts Method. He has an oversight role --

6 Q Okay.

7 A -- but he would not be hands-on doing
8 estimates for pipeline projects.

9 Q Okay. All right. I appreciate your patience
10 in walking through this with me and your answers. As
11 always, Mr. Richard. Thank you very much.

12 MR. REHWINKEL: Those are all the questions I
13 have.

14 CHAIRMAN FAY: Okay. All right.

15 Commissioners, let's clean up for tomorrow. We are
16 going to come back to Mr. Moyle for cross,
17 obviously, tomorrow, but legal, is there anything
18 that you have before we adjourn for the night?

19 MR. THOMPSON: Not tonight.

20 CHAIRMAN FAY: Okay. And Commissioner Clark
21 had mentioned we should be here at 5:00 a.m., but I
22 thought maybe 9:00 a.m. would work for everyone,
23 and then we would, depending on Mr. Moyle's
24 situation, either take up and finish you, Mr.
25 Richard tomorrow morning. Depending on what he is

1 dealing with we, might have to adapt a little bit
2 on the timeline, but you will be here tomorrow, so
3 we will adapt accordingly to take up, and then we
4 will take you Ms. Parsons.

5 Is there is anything else for the parties
6 before we adjourn?

7 All right. We will see you in the morning.

8 (Transcript continues in sequence in Volume
9 10.)

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CERTIFICATE OF REPORTER

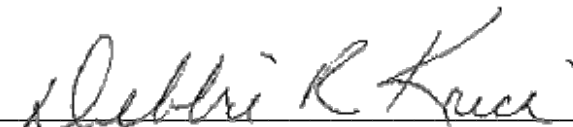
STATE OF FLORIDA)
COUNTY OF LEON)

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 19th day of September, 2023.


DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #HH31926
EXPIRES AUGUST 13, 2024