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April 4, 2023

ELECTRONIC FILING

Mr. Adam J. Teitzman, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket 20230023-GU, Petition for Rate Increase by Peoples Gas System, Inc.

Dear Mr. Teitzman:

Attached for filing on behalf of Peoples Gas System, Inc. in the above-referenced docket is the Direct Testimony of Helen J. Wesley and Exhibit No. HJW-1.

Thank you for your assistance in connection with this matter.

(Document 2 of 18)

Sincerely,

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

J. Jeffrey Wahlen

cc: Charles J. Rehwinkel, Public Counsel
Jon Moyle, FIPUG
Major Thompson, OGC
Ryan Sandy, OGC

JJW/ne
Attachment



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
HELEN J. WESLEY

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

HELEN J. WESLEY

POSITION, QUALIFICATIONS, PURPOSE

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

A. My name is Helen J. Wesley. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Peoples Gas System, Inc. ("Peoples" or the "company") as its President and Chief Executive Officer ("CEO"). I am also President and CEO of the company's affiliates, SeaCoast Gas Transmission, LLC ("SeaCoast"), its subsidiary, TECO Partners, Inc. ("TPI"), and Peoples' parent company, TECO Gas Operations, Inc. SeaCoast is an intrastate natural gas transmission company and TPI performs marketing services for Peoples.

Q. Please describe your duties and responsibilities for Peoples.

A. I have overall responsibility and accountability for all aspects of Peoples. This includes: operational functions like safety and compliance, customer experience, operations,

1 construction and engineering, regulatory affairs, and supply
2 chain management; and corporate functions like human
3 resources, marketing and communications, information
4 technology, finance and accounting, and legal. I am
5 responsible for managing our organization in a fiscally
6 responsible way that is accountable to our customers,
7 regulators, shareholders, strategic suppliers, and financing
8 partners. I lead the company so our customers across the state
9 receive safe, reliable natural gas service, our team members
10 enjoy a great quality of employment, and we contribute as a
11 positive force in the communities we serve. I also ensure
12 that Peoples is financially sound and complies with the
13 numerous rules and regulations governing businesses
14 generally, and local gas distribution companies specifically.

15
16 **Q.** Please summarize your educational background and business
17 experience.

18
19 **A.** I earned a Bachelor of Commerce degree in Marketing from the
20 University of Calgary, and a Master of Business
21 Administration degree in International Business from Bentley
22 University in Boston.

23
24 I joined Peoples in 2020 as Chief Operating Officer, became
25 President in 2021, and was named President and CEO effective

1 January 1, 2023. I have over 30 years of energy industry
2 experience in Canada, the United States, Europe, the Middle
3 East, and Africa, and have been leading large groups in
4 complex organizations since 2010. My energy experience spans
5 upstream and downstream oil and gas, commodity and specialty
6 chemicals, and electric and gas utilities.

7
8 I hold a Chartered Financial Analyst (CFA) designation and a
9 Directors Designation from the Institute of Corporate
10 Directors.

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

14
15 **A.** My direct testimony: (1) describes Peoples, our approach to
16 serving customers, and our core values; (2) explains the
17 importance of natural gas to the State of Florida; (3)
18 highlights how Peoples has evolved since its last general
19 base rate proceeding and the factors influencing that
20 evolution; and (4) summarizes our increase request, why we
21 need it and what we have done to avoid filing this request.
22 Along the way, I will introduce the other witnesses who filed
23 prepared direct testimony on behalf of the company.

24
25 **Q.** Have you prepared an exhibit to support your prepared direct

1 testimony?

2

3 **A.** Yes. Exhibit No. HJW-1, entitled "Exhibit of Helen J. Wesley,"
4 was prepared under my direction and supervision and
5 accompanies my prepared direct testimony. The contents of my
6 exhibit were derived from the business records of the company
7 and are true and correct to the best of my knowledge and
8 belief. It consists of these four documents:

9

10 Document No. 1. List of Peoples' Witnesses and Purpose of
11 their Direct Testimony

12 Document No. 2 Peoples Gas System, Inc. Service
13 Territory Map

14 Document No. 3 Corporate Structure Diagram of Peoples
15 Gas System, Inc., and its Affiliates

16 Document No. 4 Bill Comparisons at Proposed Rates

17

18 **ABOUT PEOPLES**

19 **Q.** Please describe Peoples.

20

21 **A.** Peoples was formed in 1895 and is the largest natural gas
22 local distribution company ("LDC") in Florida. Through its 14
23 service areas, the company safely and reliably serves
24 approximately 470,000 residential, commercial, industrial,
25 and electric power generation customers in 39 of Florida's 67

1 counties, including five major metropolitan areas.

2
3 As of December 31, 2022, our system included approximately
4 14,900 miles of gas mains. A map showing the reach of our gas
5 distribution system is included in Exhibit HJW-1 as Document
6 No. 2.

7
8 At year-end 2022, we employed approximately 700 team members
9 to serve our customers. Looking only at our employee headcount
10 gives an incomplete view of the company because Peoples also
11 uses outside contractors to serve its customers. I will
12 explain this further in my direct testimony.

13
14 Peoples is an indirect subsidiary of Emera Incorporated
15 ("Emera"), a geographically diverse energy and services
16 company headquartered in Halifax, Nova Scotia, Canada.
17 Emera's strategic pillars of decarbonization,
18 decentralization and digitalization provide a foundational
19 framework as Peoples serves the changing energy needs of
20 Floridians. Emera also indirectly owns our affiliate, Tampa
21 Electric Company ("Tampa Electric"). A diagram showing how
22 Peoples fits into the corporate structure of Emera is included
23 as Document No. 3 in Exhibit HJW-1.

24
25 Q. Please describe the company's customer base.

1 **A.** As of December 31, 2022, Peoples served approximately 470,000
2 customers ranging from residential customers to small
3 businesses to large hotels, hospitals, industrial users, and
4 electricity generators. The distribution of customers across
5 our rate classes at that time was 428,540 residential, 39,378
6 commercial, and 53 industrial and power generation customers.
7 I will discuss the growth of our system and customer base in
8 more detail later in my direct testimony.

9
10 **Q.** Please describe Peoples' approach to serving customers.

11
12 **A.** Our goal is to serve customer demand for natural gas across
13 the state in a safe, reliable, and sustainable way. Demand
14 for natural gas - whether traditional, compressed natural gas
15 ("CNG"), liquefied natural gas ("LNG"), or renewable natural
16 gas ("RNG") - comes from all customer classes and requires
17 the company to invest in distribution infrastructure to
18 directly serve customers on normal days and during periods of
19 peak demand during extreme weather events. Planning for the
20 future and expanding and improving our distribution
21 infrastructure and supporting systems are important aspects
22 of how Peoples supports the evolving demands of our current
23 and future customers.

24
25 We support our gas distribution infrastructure through active

1 procurement of physical and transportation capacity and
2 complex long-term system planning and daily transactions to
3 optimize supply throughout our system. We apply supply chain
4 management practices, so the company obtains the goods and
5 services it requires to provide safe and reliable service at
6 the lowest reasonable cost and when needed. We operate
7 continuously but think and plan for the long-term to meet the
8 needs of our expanding residential and small commercial
9 customer base, large volume electric generators, and other
10 commercial and industrial customers.

11
12 Peoples takes a long-term view of growth and system planning
13 given the long life cycle of our assets and the magnitude of
14 capital deployed to serve natural gas demand. Our goal is to
15 execute our strategy through effective corporate systems and
16 processes to manage safety and compliance, cyber security,
17 regulatory processes, financial tracking and forecasting
18 processes, treasury management, customer contact services,
19 and human resources processes.

20
21 As demand for natural gas grows, we must expand our physical
22 system of pipelines, pressure and flow regulators, gate
23 stations and meters, as well as the organizational
24 infrastructure of people, systems, and processes to carry out
25 that work safely, reliably, and efficiently. As we build to

1 serve growth, we in turn must enhance internal capabilities
2 to support that growth in a safe, reliable, and efficient
3 manner. We call this being "fit for growth."
4

5 **Q.** What are the company's core values?
6

7 **A.** Peoples' values include a commitment to safety, exceptional
8 customer service, sustainability and environmental
9 stewardship, fiscal responsibility, and supporting the
10 communities we serve. We embrace innovation to continuously
11 improve our systems, promote safety and reliability, and
12 deliver exceptional customer experiences.
13

14 **Q.** Please describe Peoples' commitment to safety.
15

16 **A.** The safety of Peoples' team members, contractors, customers,
17 and the public is paramount. Protecting our gas distribution
18 system from damages caused by third parties during
19 construction and from cyber-attack is vital. We focus on the
20 safety of people and our pipeline in everything we do, and
21 our efforts yield strong results. Our Pipeline Safety
22 Management System ("SMS") continues to enhance the safety
23 focus of our culture, processes, and technology on our goal
24 of zero serious injuries. Peoples has been an industry leader
25 in the pursuit of a SMS based on the American Petroleum

1 Institute's Recommended Practice 1173.

2

3 The company's Occupational Safety and Health Administration
4 ("OSHA") injury rate for team members and contractors is at
5 an industry low. Peoples was awarded the Industry Leader
6 Accident Prevention Award from the American Gas Association
7 for a DART (days away, restricted, or transferred) incidence
8 rate below the industry average in 2022. Peoples also received
9 Gold Shovel Standard Certification for its use of underground
10 damage prevention best practices and has required the same of
11 its strategic partners. The company continues to have
12 excellent Pipeline and Hazardous Materials Safety
13 Administration ("PHMSA") compliance results.

14

15 The costs of safely operating the company's growing system
16 and changing federal safety and security requirements
17 continue to increase. So too have the costs of locating and
18 moving our pipelines and infrastructure to facilitate
19 construction activities in our growing state, and the related
20 increased costs from damages to our system during third-party
21 construction activities. The significant funding authorized
22 in November 2021 through the federal Infrastructure
23 Investment and Jobs Act will increase (1) construction
24 activity on roads, bridges, broadband, and other
25 infrastructure and (2) the demands on Peoples to locate and

1 relocate its facilities.

2

3 Our focus on safety, our safety results, and the impact that
4 changing safety requirements and growth have on our
5 operations will be explained further in the prepared direct
6 testimony of company witness Timothy O'Connor, Vice President
7 of Operations, Sustainability and External Affairs.

8

9 **Q.** Please describe the company's commitment to customer service.

10

11 **A.** Peoples' commitment to providing exceptional customer service
12 is a hallmark of the company. We have a record of outstanding
13 customer service as reflected in consistent excellent
14 rankings in national customer surveys.

15

16 In 2022, the company ranked highest in the south midsize
17 segment of the J.D. Power Gas Utility Residential Customer
18 Satisfaction study for the 10th year in a row, and highest in
19 the south segment of the Gas Utility Business Customer
20 Satisfaction study for the fourth year in a row and sixth
21 time since 2016.

22

23 Peoples has led the nation in the J.D. Power residential study
24 in eight of the past ten years and ranked highest in the
25 nation in the business study in six of the past eight years.

1 Peoples was among the Most Trusted Utility in the nation for
2 the ninth time in the 2022 Cogent/Escaient Syndicated Utility
3 Trusted Brand & Customer Engagement Residential study. The
4 same firm also named Peoples a Trusted Business Partner (two
5 consecutive years), one of the easiest utilities in the nation
6 with which to conduct business (fourth consecutive year), an
7 Environmental Champion (eighth consecutive year), and a
8 Customer Champion (ninth consecutive year).

9
10 We believe these recognized and consistently high levels of
11 customer satisfaction have been achieved by: (1) our
12 customer-facing team members' dedication to customer service;
13 (2) our customer contact center systems, processes, and
14 people that result in high quality and efficient daily
15 interactions; (3) our strong billing platform and processes;
16 (4) our efforts to enable customers to interact with Peoples
17 through many different communication channels; (5) helping
18 customers manage their energy costs through our conservation
19 programs, including the online home energy audit; (6) our
20 commitment to lower emissions; and (7) our focus on safety,
21 reliability, and service. Being a responsible corporate
22 citizen and supporting the communities we serve are also
23 important.

24
25 Witness O'Connor will explain the efforts our operations team

1 members make in the field to support this exceptional service.
2 Company witness Karen K. Sparkman, Vice President of Customer
3 Experience, will explain the efforts our customer experience
4 team makes to ensure that our customers can continue to
5 communicate with the company how and when they want, which we
6 believe is an important element of an exceptional customer
7 experience.

8
9 **Q.** How does the company view sustainability and environmental
10 stewardship?

11
12 **A.** Both are important to Peoples. Not only do our customers value
13 sustainability and environmental stewardship but providing
14 sustainable natural gas service is important to the future of
15 Florida. Peoples also knows that it is simply the right thing
16 to do.

17
18 Peoples strives to provide natural gas in an environmentally
19 friendly way through reduced emissions and minimizing the
20 effect of any damages to our system. Our Cast Iron/Bare Steel
21 Replacement ("CI/BSR") rider has reduced gas leaks, lowered
22 carbon emissions, and enhanced the efficiency of the
23 company's distribution system. The success of this program
24 and other environmentally friendly operating initiatives such
25 as our MobileGuard program will be explained in the prepared

1 direct testimony of witness O'Connor.

2
3 Customer interest in sustainable and renewable energy
4 continues to grow and has expanded beyond solar. To support
5 Florida's clean energy future, our proposal in this case
6 includes three innovative RNG projects that will deliver
7 sustainable, carbon-negative, pipeline-quality gas made in
8 Florida to customers in Florida. Projects like these reflect
9 partnerships with farmers, counties, municipalities, and
10 others to drive economic development, reduce methane
11 emissions, and deliver Florida-sourced natural gas to
12 customers.

13
14 These projects can be considered carbon negative because they
15 take natural gas that otherwise would have been emitted into
16 the atmosphere and create clean natural gas that can be
17 injected into Florida's pipeline system. With investment in
18 RNG facilities, Florida can become a producer of natural gas,
19 thereby reducing our reliance on imports from other states.
20 Our efforts in this area are explained in the prepared direct
21 testimony of company witness Lew Rutkin, Jr., Vice President
22 of Gas Supply and Development. Witness Rutkin will also
23 explain what Peoples is doing to support customers who want
24 CNG and infrastructure to provide liquified natural gas
25 ("LNG") as part of their energy solution to replace other

1 more expensive and more carbon intensive fuels.

2

3 **Q.** How does fiscal responsibility fit into the way Peoples does
4 business?

5

6 **A.** Sound financial management and good business decision making
7 are vitally important to Peoples. We work diligently to ensure
8 that the goods and services we use to serve our customers are
9 procured using good business practices and provide value to
10 our customers. Our commitment to cost discipline is a primary
11 reason that the cost profile for operating our business is
12 reasonable and prudent. The business practices and controls
13 we employ in this area are described in the prepared direct
14 testimony of company witnesses Christian C. Richard, Vice
15 President of Engineering, Construction & Technology, and
16 Rachel B. Parsons, Vice President of Finance and Planning.
17 Our other operating witnesses also discuss our success
18 managing our cost profile.

19

20 **Q.** How does Peoples support the communities it serves?

21

22 **A.** Our team members work and live in the communities we serve,
23 and it is important for Peoples to be a positive force in
24 those communities. Peoples continues to deliver on its
25 commitment to help its customers through challenges caused by

1 the COVID-19 pandemic, volatile economic conditions, and
2 severe weather. During the COVID-19 pandemic, Peoples and its
3 team members supported customers and offered payment
4 assistance to over 6,000 residential and commercial
5 customers. These support activities included: (1) extensive
6 outreach efforts; (2) implementation of modified payment
7 arrangement guidelines to provide greater flexibility to
8 customers; (3) revised service disconnection/reconnection
9 guidelines; and (4) personal call follow-ups with customers
10 who had not reconnected service after three days to offer
11 creative options for assistance.

12
13 **Q.** How does Peoples help Florida during extreme weather events?

14
15 **A.** Because most of its natural gas infrastructure is underground
16 and less susceptible to storm damage, Peoples' natural gas
17 service provides significant energy resiliency benefits to
18 Florida during severe weather. During Hurricane Ian, only
19 about 800 of the company's customers experienced service
20 disruptions, even though some of the company's territories
21 were in the hardest hit areas. When the electric grid is
22 damaged during a storm, backup generation fueled by natural
23 gas allows hospitals, nursing homes, residential communities,
24 and other essential services to continue operations. The
25 resiliency of the gas system allowed residential gas

1 customers to have hot water, the ability to cook, and the
2 potential for backup electric generation.

3
4 **IMPORTANCE OF NATURAL GAS**

5 **Q.** Are reliable and resilient local gas distribution companies
6 ("LDCs") like Peoples important to Florida?

7
8 **A.** Yes. LDCs like Peoples support the growth, business climate,
9 and economic success of Florida both within and beyond Florida
10 as our state competes in an increasingly global world. The
11 cost competitiveness of natural gas relative to other sources
12 of energy helps make Florida an attractive choice for
13 individuals, families, and businesses.

14
15 Residential customers continue to demand natural gas in new
16 developments for cooking, home heating, heating water, and as
17 a fuel supply for emergency electric backup generation.
18 Natural gas is a familiar and expected energy choice to those
19 migrating to Florida from other parts of the United States.
20 As a de-carbonization measure, natural gas is becoming more
21 popular with businesses that seek a competitively priced,
22 lower carbon emissions energy source.

23
24 Nationally, 76 percent of restaurants use natural gas and 90
25 percent of restaurateurs using natural gas say losing the

1 ability to cook with an open flame would negatively impact
2 the quality of the food they serve.

3
4 Access to lower cost, reliable, and cleaner natural gas has
5 become more critical for electric generators as they move to
6 decarbonize by closing coal plants. Electric generators like
7 JEA and Tampa Electric are investing hundreds of millions of
8 dollars to convert their coal-fired generation facilities to
9 natural gas.

10
11 Natural gas has become an attractive option for marine
12 shippers and cruise lines as they invest in LNG cruise ships
13 to sustain their business economically and with a smaller
14 environmental footprint. LNG-powered vessels generate up to
15 20 percent less carbon emissions than oil or diesel, and
16 virtually eliminate sulfur oxides emissions, reduce nitrogen
17 oxides by about 85 percent, and particulate matter by 95 to
18 100 percent. Using LNG will help the marine sector meet the
19 International Marine Organization requirement to reduce
20 sulphur emissions from ships by 80 percent beginning January
21 1, 2020. Six LNG-powered cruise ships currently operate out
22 of ports within our territory and five more are expected by
23 2025. Peoples can supply the natural gas needed for LNG
24 production in large volumes to these key locations.

1 Large industrial enterprises like cement plant operators and
2 paving companies are switching to natural gas because of its
3 reliability, affordability, and environmental benefits over
4 alternative fuels.

5
6 The growing demand for natural gas in Florida, including CNG,
7 LNG, and RNG, and how Peoples is responding to that demand,
8 are explained further by company witness Rutkin.

9
10 **PEOPLES' LAST GENERAL BASE RATE PROCEEDING**

11 **Q.** When did the company last seek a general base rate increase?

12
13 **A.** Peoples has only filed two base rate cases in the last 15
14 years. Its most recent general base rate case was filed on
15 June 8, 2020, in Docket No. 20200051-GU, and yielded the
16 Stipulation and Settlement Agreement approved by the Florida
17 Public Service Commission ("Commission") in Order No. PSC-
18 2020-0485-FOF-GU, issued December 10, 2020, in Docket Nos.
19 20200051-GU, 20200166-GU, and 20200178-GU ("2020 Agreement").

20
21 The 2020 Agreement authorized the company to implement new
22 base rates and charges and established a return on equity
23 ("ROE") midpoint of 9.90 percent with a range of 8.90 percent
24 to 11.00 percent effective January 1, 2021. The base revenue
25 increase of \$58 million included \$23.6 million of revenue

1 requirements transferred from the CI/BSR rider. The 2020
2 Agreement authorized Peoples to amortize \$34 million of
3 depreciation reserve surplus as a credit to depreciation
4 expense from 2020 through 2023. This mechanism is unique to
5 Peoples and served customers well.

6
7 **Q.** Has the 2020 Agreement been good for Peoples' customers?

8
9 **A.** Yes. The 2020 Agreement benefited customers by creating three
10 years of base rate stability and by providing a mechanism to
11 efficiently give customers the benefit of a state income tax
12 rate decrease and defer the effect of a state income tax rate
13 increase during the term of the agreement. Furthermore, the
14 depreciation credits effectively reduced the size of the base
15 rate increase authorized in the 2020 Agreement, thereby
16 mitigating the bill impact to customers during the settlement
17 period. We understand that customers value rate stability and
18 predictability and are pleased that the 2020 Agreement
19 delivered both to them.

20
21 **Q.** Has the 2020 Agreement been good for Peoples?

22
23 **A.** Yes, but it has also presented challenges. The 2020 Agreement
24 provided an equal measure of base rate stability and
25 predictability to Peoples, but circumstances that were

1 unforeseen when we entered into the 2020 Agreement proved
2 challenging to Peoples during its term. Although the
3 depreciation credit helped the company manage these
4 unforeseen circumstances, it has and will not be enough to
5 offset unforeseen customer demand and higher expense levels.
6 In addition, part of the rate increase in this request
7 effectively results from the ending of the depreciation
8 credits in the 2020 Agreement.

9
10 **Q.** How did the company use the depreciation credit in the 2020
11 Agreement to help manage through unforeseen economic
12 conditions?

13
14 **A.** Peoples used the credit in a manner consistent with the letter
15 and the spirit of the 2020 Agreement. The company did not use
16 the depreciation credit at all in 2021 and did not use it in
17 2022 to elevate its earnings to the top of its authorized
18 earnings range. Rather, the company used the credit in 2022
19 to offset rate base growth, unexpected expense increases in
20 other areas caused by general inflation, and interest rate
21 increases. In 2023, the company will use the remainder of the
22 credit amount for the same purposes. Unfortunately, the
23 amount of the credit available in 2023 will not be enough to
24 offset those higher costs, and the company expects to earn
25 significantly below the bottom of its authorized earnings

1 range.

2

3 **Q.** What is the company's forecasted earned return on equity in
4 2023 and 2024?

5

6 **A.** As explained further in the direct testimony of witness
7 Parsons, the company expects to earn below eight percent on
8 equity in 2023 and, without rate relief, about two percent on
9 equity in 2024. Both projected earned returns are below a
10 reasonable rate of return on equity.

11

12 **Q.** How has Peoples evolved as an organization since the 2020
13 Agreement was approved, and why?

14

15 **A.** Since its last base rate proceeding in 2020, Peoples has
16 evolved to meet changes and challenges caused by Florida's
17 remarkable growth and changing energy markets. We also
18 executed a "seamless to customers" asset transfer into a
19 separate corporation effective January 1, 2023 ("2023
20 Transaction").

21

22 **GROWTH**

23 **Q.** What impact has Florida's growth had on Peoples and its
24 operations?

25

1 **A.** Florida's growth has been remarkable, especially over the
2 past few years. The state's abundant natural resources,
3 favorable tax system, balanced approach to regulation, and
4 other thoughtful policy choices have helped make Florida one
5 of the fastest-growing states in America. Florida is a
6 national leader in new business formation and net population
7 in-migration. While other states have experienced population
8 declines, Florida's population is expected to be 22.6 million
9 people in 2024, up 1 million since January 1, 2021. Peoples'
10 witness Dr. Richard K. Harper, PhD., President of Economic
11 Consulting Services, Inc., will discuss how Florida is
12 growing and is projected to grow in his prepared direct
13 testimony.

14
15 **Q.** What does Florida's growth mean to Peoples?
16

17 **A.** Florida's population growth means: more new home
18 construction; more hotels, hospital, stores, and restaurants;
19 new and expanded roads and other construction; and more gas-
20 fired electricity generation. This growth leads to more
21 demand for the product we distribute to our customers. As
22 Florida grows, Peoples must: invest in new mains, laterals,
23 service lines, and meters; hire team members to operate and
24 maintain a growing system; and spend money building,
25 upgrading, and moving the company's gas distribution

1 infrastructure to accommodate expanding Florida
2 infrastructure.

3
4 **Q.** Has Peoples expanded its systems to support Florida's growth?

5
6 **A.** Peoples has grown with Florida and will continue to grow as
7 Florida grows. From January 1, 2021, to December 31, 2022,
8 Peoples added approximately 40,000 (10 percent increase) and
9 approximately 1,500 (four percent increase) new residential
10 and commercial customers, respectively. The company expects
11 to add almost 28,000 new residential and approximately 1,200
12 new commercial customers from January 2023 to December 2024.
13 From January 2021 to December 2022, the company added
14 approximately 1,200 miles of main and services (equivalent to
15 driving from Panama City to Miami and back) and anticipates
16 adding approximately 1,000 miles from January 2023 to
17 December 2024. Residential sales for 2024, measured in
18 therms, are expected to be up 12 percent over 2021 actuals.
19 The investments required to support this remarkable expansion
20 contribute to the company's need for rate relief as do the
21 demands of changing energy markets.

22
23 **Q.** Does Peoples expect Florida to continue to grow?

24
25 **A.** Yes. Although our national economy may be showing signs of a

1 possible recession in 2023, we expect any recession to be
2 relatively mild and not as pronounced in Florida as in other
3 areas of the United States, especially in the thriving urban
4 areas of Florida that we serve. Based on discussion with our
5 witnesses, Harper, and Eric Fox, Director of Forecasting
6 Solutions at Itron, and others knowledgeable about
7 development, we expect growth in Florida to continue in 2023
8 and 2024, but perhaps at a slightly lower rate than in 2021
9 and 2022. By the end of 2024, we expect to serve approximately
10 456,000 residential, 41,000 commercial, and 56 industrial and
11 power generation customers, with throughput of almost 1.8
12 billion therms. This outlook is explained further in the
13 prepared direct testimony of witnesses Harper and Fox and is
14 reflected in our 2023 and 2024 load forecast and financial
15 forecasts.

16
17 **Q.** How much does the company project to invest in capital
18 projects from January 1, 2022 to December 31, 2024?

19
20 **A.** Of the roughly one billion dollars, about \$600 million is for
21 growth, \$400 million is for reliability, resiliency, and
22 efficiency ("RRE"), and about \$80 million is for legacy pipe
23 replacement.

24
25 **Q.** How does the company identify the need to invest capital in

1 its system?

2

3 **A.** Our capital spending is customer driven and arises in four
4 areas.

5

6 First, a large portion of our capital spending is driven by
7 residential and small commercial growth. Witness Fox supports
8 the forecast for residential and small customers. The best
9 time to install natural gas distribution facilities is as
10 development occurs, not after, so we work closely with
11 developers and government entities to be there before streets
12 and parking lots have been paved and sidewalks have been
13 built. This allows us to install our facilities at the lowest
14 possible cost.

15

16 Second, our Gas Supply and Development team works with large
17 commercial, industrial, and emerging technology companies to
18 plan for and meet the demand in these market segments. In his
19 testimony, witness Rutkin will explain how the company is
20 investing in three RNG projects to bring sustainable, made-
21 in-Florida, pipeline-quality RNG to customers in Florida. He
22 will also explain how a planned pipeline expansion will
23 enhance Florida's market presence in the LNG market and
24 support marine transportation. These major projects are
25 supported by revenue from customer-specific contracts, but

1 nevertheless contribute to the company's overall rate base
2 growth.

3
4 Third, the company has made and is making significant
5 investments to improve the RRE of our systems. We identify
6 opportunities to improve the RRE of our system in two ways.
7 First, while maintaining and operating our system, our
8 operations team becomes aware of facilities that need to be
9 enhanced to maintain the safe and reliable operation of our
10 system and takes steps to improve as necessary. Second, our
11 system engineering team takes a longer view to identify RRE
12 projects, but the ones they identify tend to be larger
13 projects. Examples include: (1) the major projects for
14 Jacksonville, Panama City and Southwest Florida approved in
15 the 2020 Agreement; (2) the Dade City Connector; (3) our new
16 Work and Asset Management System ("WAM"); and (4) the Tampa
17 distribution system improvements included in this case.
18 Witnesses O'Connor and Richard describe the RRE activities
19 and projects in the operations and engineering areas,
20 respectively, in their prepared direct testimonies.

21
22 Finally, our capital investment is driven by the growth in
23 the Florida economy and the resulting construction activity
24 in the state. New buildings and roads, relocating or widening
25 existing roads, and redevelopment of existing parcels of land

1 generally require Peoples to place its existing underground
2 facilities in specified locations or, in many cases, to move
3 them. The electric infrastructure undergrounding activity in
4 Florida also impacts Peoples' work activity and resource
5 requirements.

6
7 Witness Richard will explain the processes the company uses
8 to prioritize proposed projects, prepare budget estimates,
9 develop capital budgets to construct projects, and the other
10 controls in place to ensure that the goods and services the
11 company purchases to build capital projects are procured and
12 delivered on time and at the lowest total cost of ownership.

13
14 **Q.** Has Peoples added Team Members as Florida has grown and
15 Peoples' operations have expanded?

16
17 **A.** Yes. Peoples employs team members and also contracts with
18 outside service providers to serve its customers. Contractors
19 have enabled the company to perform required activities in
20 the face of challenging labor markets caused by COVID-19 and
21 general economic conditions. Peoples monitors Team Member
22 Headcount and contractor usage but focuses on and manages its
23 overall operations and maintenance ("O&M") expense levels to
24 efficiently provide safe and reliable service to its
25 customers. The varying speeds at which Florida has grown in

1 different geographies and the changing demographics of
2 Florida's labor force during the COVID-19 pandemic have added
3 to the resourcing challenge and the necessity to have a more
4 flexible contractor workforce.

5
6 As of January 1, 2020, Peoples employed 623 team members and
7 by December 31, 2022 that number grew to approximately 700.
8 Peoples expects to employ approximately 775 and 850 as of
9 December 31, 2023 and 2024, respectively, to meet growing
10 customer demand and optimize reliance on contract labor.

11
12 The need to increase our workforce is being driven by the
13 expansion of our system in response to customer demand and
14 our goal to ensure that we have enough permanent resources in
15 place to provide safe and reliable gas service to our
16 customers. This workforce optimization should also ultimately
17 improve the cost effectiveness of our labor force, providing
18 a benefit to customers.

19
20 The increase in resources is also driven by the ongoing growth
21 in construction activity in Florida, which creates an
22 increase in the need for resources to locate utilities for
23 third parties prior to their construction beginning.

24
25 We are also preparing for the significant influence on

1 construction activity that we anticipate will result from the
2 authorization of the Infrastructure Investment and Jobs Act,
3 which will cause more utility locate demand and relocation of
4 gas infrastructure.

5
6 The efforts we have made to "right-size" our workforce and
7 the positive effects those efforts have made on our customer
8 experience are explained by company witnesses Donna L.
9 Bluestone, Vice President of Human Resources, O'Connor, and
10 Sparkman in their direct testimonies.

11
12 **CHANGING ENERGY MARKETS**

13 **Q.** How have changes in the energy market influenced Peoples and
14 its approach to the gas business?

15
16 **A.** Peoples is a local gas distribution company, but its
17 operations are influenced by weather, political activity, and
18 economic factors around the world - all of which are beyond
19 the company's control. Although natural gas prices recently
20 have been more volatile, the abundant supply of domestic
21 natural gas has reduced the cost of natural gas well below
22 levels a decade ago and made the United States a major
23 exporter of natural gas. Customer demand for natural gas is
24 high in Florida because it is affordable, reliable, and safe,
25 and while some states have attempted to restrict the use of

1 natural gas, policymakers in Florida have wisely preserved
2 natural gas as a choice for consumers. Natural gas has also
3 replaced coal as the primary fuel for generating electricity
4 in the state.

5
6 **Q.** Have other factors influenced Peoples' operations since its
7 last base rate proceeding?

8
9 **A.** Yes. We have also experienced unexpected increases in the
10 cost of the goods and services we procure to provide service
11 (i.e., inflation), labor market challenges, supply chain
12 disruptions and higher than expected interest rates. Although
13 the company has worked diligently to moderate the effects of
14 these increases, the combined impact of growth and these
15 factors is challenging the company's ability to continue to
16 (1) safely and effectively operate and maintain its growing
17 systems under current rates while (2) earning a fair rate of
18 return on its investments to serve customers.

19
20 **Q.** Does the company expect these factors to continue to influence
21 its operations in the 2024 test year?

22
23 **A.** Yes. In response to the economic distress caused by the COVID-
24 19 pandemic, the Federal Reserve quickly and aggressively
25 decreased its interest rates, but now is raising them to

1 combat inflation. These changes have impacted capital
2 markets, long- and short-term borrowing costs, and the cost
3 of common equity. Further interest rate increases by the
4 Federal Reserve are expected.

5
6 The impact of short- and long-term interest rate increases on
7 the company's projected borrowing costs and the debt elements
8 of our capital structure are explained in the prepared direct
9 testimony of company witness Kenneth D. McOnie, Vice
10 President Tax and Treasurer for Emera.

11
12 Company witness Dylan W. D'Ascendis, Partner at ScottMadden
13 Inc., discusses how market conditions have influenced the
14 required rate of return on equity for public utilities like
15 Peoples.

16
17 The company is hopeful that the pace of inflation will
18 moderate somewhat in 2023 and 2024; however, the higher costs
19 the company paid in 2021 and 2022, and is expecting to pay in
20 2023, are now reflected in the cost of capital additions. For
21 example, during the last three years, Peoples has experienced
22 a 117 percent increase in the cost of steel pipe. The
23 significant increase (89 percent in one year) in interest
24 rates is expected to persist in 2023 and 2024, according to
25 many sources. The company does not expect the prices it pays

1 for goods and services in 2023 and 2024 to revert to 2020
2 levels. The company's view of inflation is discussed further
3 in the prepared direct testimony of witness Harper.

4
5 Historically low unemployment levels continue to put upward
6 pressure on employee compensation levels, forcing the company
7 to rely more heavily on contract labor, which also reflects
8 higher labor costs. The impact of the current and expected
9 labor market on our operations will be discussed in the
10 prepared direct testimony of witnesses Bluestone and
11 O'Connor.

12
13 The impact of, and outlook for, supply chain disruptions is
14 explained in the prepared direct testimony of witnesses
15 O'Connor and Richard. Witness Richard will also explain the
16 work we are doing in the supply chain management area to
17 moderate the impact of supply chain disruptions.

18
19 **Q.** What other factors come into consideration for Peoples as it
20 manages its operating and financial performance?

21
22 **A.** All regulated utilities, including Peoples, must consider and
23 balance the interests of many stakeholders as they manage the
24 effects of a dynamic business environment. The company's
25 financial witnesses describe the importance of maintaining

1 financial integrity and the company's cost of capital, which
2 is influenced by market forces largely beyond the company's
3 control. Peoples works with Emera to maintain good working
4 relationships with credit rating agencies, lenders, and other
5 financial market participants so its costs for debt and equity
6 capital are reasonable and appropriate. In addition, the
7 company optimizes its capital costs - both debt and equity -
8 by maintaining consistent, credible, and stable earnings and
9 cash flow performance over time. Doing so promotes
10 predictability and confidence in Peoples for equity investors
11 and lenders.

12
13 As part of this process, Peoples has been thoughtful and
14 deliberate about dealing with unanticipated factors such as:
15 (1) significant increases in the costs of labor, goods, and
16 services; (2) interest rate increases; and (3) supply chain
17 challenges - all while providing safe and reliable service to
18 customers and maintaining stable and predictable earnings
19 levels. The company's commitment to defer base rate increases
20 until January 1, 2024 has made dealing with these
21 unanticipated factors a challenge, especially in 2023;
22 however, through careful management and cost discipline, the
23 company has developed plans for 2023 that balance these
24 factors.

1 Q. How are these plans reflected in the company's 2023 financial
2 forecast?

3

4 A. To ensure that we continue to provide safe and reliable gas
5 service and maintain our earnings performance in 2023,
6 Peoples is carefully managing its cost structure, including
7 the timing of hiring new team members required to meet
8 continued growth in customer demand. In 2023, we are absorbing
9 significant increases to our labor costs so we can remain
10 competitive in the market, but doing so has increased our O&M
11 expenses. Consequently, we are planning to pursue our
12 incremental Team Member hiring only in the fourth quarter of
13 2023 to ensure we continue to have the resources required to
14 support current customer growth. This approach will mitigate
15 the impact of new hires on our cost structure but allow us to
16 balance our need to provide safe and reliable service with
17 our need for earnings performance.

18

19 We are managing other elements of our cost structure by
20 limiting travel and entertainment expenses, discretionary
21 training, consulting support, and other costs of doing
22 business to levels that are only sustainable for short periods
23 of time, especially in a challenging labor market. We are
24 confident that we can manage through this period of adversity
25 in 2023 but require recovery of higher O&M expense levels in

1 2024 to sustain our operations, attract and retain talented
2 people, and maintain our high levels of customer
3 satisfaction. We are fortunate to have a loyal and committed
4 work force to help us manage through 2023 and into 2024.

5
6 **2023 TRANSACTION**

7 **Q.** Please describe the 2023 Transaction.

8
9 **A.** Peoples was purchased by TECO Energy, Inc. in 1997 and was
10 merged into the TECO Energy family as an operating division
11 of Tampa Electric. Since then, Peoples operated as a division
12 of Tampa Electric, and was regulated by the Commission as a
13 stand-alone entity. This original business structure was
14 selected in part because: (1) holding Peoples' as a stand-
15 alone entity would have triggered registration requirements
16 with the Securities and Exchange Commission; (2) subjected
17 TECO Energy to significant other corporate restrictions under
18 the Public Utilities Holding Act of 1935 ("PUHCA"); and (3)
19 Peoples was relatively small compared to Tampa Electric.

20
21 Since then, two things have happened. First, the PUHCA was
22 amended to eliminate the registration requirements and other
23 restrictions, and second, Peoples has grown significantly
24 with Florida. Consistent with how most utility companies are
25 organized, Emera decided in 2022 that it was time to legally

1 separate its Florida electric and natural gas utilities to
2 reflect their different business needs, geographic reach, and
3 regulatory constructs. The natural gas assets, liabilities,
4 and equity of the Peoples Gas System, a division of Tampa
5 Electric Company were therefore transferred as part of a tax-
6 free exchange to a new corporation named Peoples Gas System,
7 Inc., effective January 1, 2023.

8
9 **Q.** Does the Internal Revenue Code contain requirements for the
10 transaction to be considered a non-taxable event for federal
11 income tax purposes?

12
13 **A.** Yes. While there are other requirements, the most significant
14 is that Peoples must begin securing its own debt capital by
15 borrowing from a lender other than Tampa Electric by December
16 31, 2023. As part of the process, Peoples will begin issuing
17 its own financial statements and obtain an independent credit
18 rating. In doing so, Peoples' capital structure will reflect
19 its business size and risk profile, and its debt financing
20 costs will be based on market forces and its independent
21 credit rating.

22
23 **Q.** What impact will Peoples having its own credit rating have on
24 the company's financing costs?

25

1 **A.** Peoples may experience higher financing costs in the short
2 term, but this arrangement will ultimately have benefits for
3 Peoples and its customers. In his direct testimony, witness
4 McOnie will discuss the implications of the new financings on
5 test year interest rates and the debt portions of the
6 company's capital structure.

7

8 **Q.** How will the 2023 Transaction impact the company?

9

10 **A.** First, the transaction had no visible impact to our customers,
11 and very little impact to employees. Except for changing the
12 name of the company, the transaction did not involve changes
13 to the company's tariff and the new entity, Peoples Gas
14 System, Inc. adopted the tariff of the Peoples Gas System, a
15 division of Tampa Electric on January 6, 2023.

16

17 Customer bills are still being issued in the name of Peoples
18 Gas. The company's customer service operation has remained
19 the same and uses the same physical and mailing addresses,
20 phone numbers, email addresses, and remote access pathways.
21 The company's trucks, uniforms, and signs have not changed
22 due to the transaction. Peoples will continue to provide the
23 same high level of award-winning natural gas service to its
24 customers.

25

1 Peoples franchise agreements and other large contracts have
2 been amended for the new counterparty, Peoples Gas Systems,
3 Inc., and inter-affiliate agreements have been similarly
4 amended.

5
6 Second, Peoples will continue to benefit from the provision
7 of shared services from Tampa Electric, and to work
8 collaboratively on managing our spending with outside
9 contractors to receive high quality goods and services at
10 competitive prices. For instance, we will continue to receive
11 support from Tampa Electric's legal, information technology,
12 and customer experience team members. Our shared billing
13 platform and online systems enable high quality customer
14 contact at a more affordable cost-to-quality ratio than
15 Peoples Gas might be able to afford on its own. These kinds
16 of shared service arrangements are valuable to Peoples'
17 customers and will continue to be an integral part of how we
18 deliver exceptional experiences to our customers.

19
20 Third, the resulting structure will allow Peoples to manage
21 the timing and quantum of market debt issuances and to
22 optimize the level of short- and long-term debt solely at
23 Peoples' discretion, enabling more flexibility to manage
24 interest expense relative to the prior arrangement of
25 borrowing through Tampa Electric. Moreover, as a separate

1 entity, Peoples will have the flexibility to manage its
2 affairs to maintain the credit rating which best reflects its
3 risk profile and associated cost of debt.

4
5 Finally, the 2023 Transaction has not and will not have a
6 material impact the company's O&M expense profile. Although
7 our O&M expenses have increased since 2022, those increases
8 were largely caused by inflation, labor market conditions,
9 increasing compliance requirements, and the demands of
10 operating and maintaining a larger system - not the 2023
11 Transaction.

12
13 **Q.** Was the 2023 Transaction prudent and how will it benefit the
14 company's customers?

15
16 **A.** Yes. The transaction was prudent and will benefit the
17 company's customers.

18
19 The resulting new structure provides a better platform for
20 Peoples as it grows and changes with evolving natural gas
21 markets. Peoples was relatively small in comparison to Tampa
22 Electric when it was acquired in 1997. Since then, it has
23 grown to serve more than half of the number of customers
24 served by Tampa Electric and serves a geographic area that
25 extends around Florida to include five major metropolitan

1 areas, not just the one served by Tampa Electric. Although
2 the members of the Tampa Electric and Peoples Boards of
3 Directors are currently essentially the same, the transaction
4 enables Peoples, if it so chooses, to populate its board in
5 the future with different board members. The transaction is
6 a continuation of a long process of dedicating more resources
7 to supporting the growing gas business in Florida.

8
9 Our customers also benefit from the risk mitigation effect
10 that placing the assets and liabilities of gas and electric
11 operations in separate legal entities will provide. Tampa
12 Electric and Peoples work diligently to be safe and avoid
13 catastrophic accidents. However, events like the 2010 San
14 Bruno explosion and the deadly 2020 Zogg Wildfire - on the
15 gas and electric systems of Pacific Gas and Electric Company
16 in California - show how accidents on one side of a dual
17 system utility can threaten the other side. The new corporate
18 structure and governance of Peoples, as Peoples Gas System,
19 Inc., helps insulate Peoples' customers from the impact of
20 events that may occur in the future at Tampa Electric, and
21 vice versa.

22
23 **INCREASE REQUEST AND STEPS TO AVOID SEEKING AN INCREASE**

24 **Q.** Please summarize the company's request for rate relief.
25

1 **A.** Peoples seeks new base rates and charges to be effective with
2 the first billing cycle in January 2024 based on a calendar
3 year 2024 projected test year to generate an annual revenue
4 requirement increase of approximately \$139.3 million, which
5 includes approximately \$11.7 million of revenue that we are
6 currently collecting through our CI/BSR rider, which we
7 propose to roll into base rates as we did in our last general
8 base rate proceeding in 2020. We are requesting a net increase
9 of approximately \$127.6 million.

10
11 Our proposed rates reflect a net rate base of approximately
12 \$2.4 billion, a proposed return on equity of 11 percent, an
13 equity ratio of 54.7 percent, and the projected revenues and
14 expenses for our 2024 projected test year. These key elements
15 are reasonable considering current and projected capital
16 market conditions, labor markets, inflation, and customer
17 demand, and that our proposed rates and charges are fair,
18 just, and reasonable.

19
20 **Q.** Which witnesses will be testifying on the key elements of the
21 company's proposed revenue requirement?

22
23 **A.** The prepared direct testimony of company witness McOnie, and
24 witnesses D'Ascendis, and Fox support the equity ratio,
25 return on equity, and load forecast components of our

1 proposal, respectively.

2

3 Witnesses Sparkman, O'Connor, Rutkin, Richard, and Bluestone
4 support the level of test year rate base and O&M expenses in
5 their areas.

6

7 Witness Dane A. Watson, Managing Partner in Alliance
8 Consulting Group, will testify about our proposed
9 depreciation rates and their impact on test year depreciation
10 expense.

11

12 Witness Parsons presents and explains our revenue requirement
13 calculation, including our 2024 revenue forecast, income and
14 other taxes, and the proposed overall rate of return in her
15 prepared direct testimony. She will also explain why 2024 is
16 a reasonable test year for ratemaking and how our forecasting
17 process yields a test-year budget that is appropriate for
18 ratemaking purposes.

19

20 **Q.** Is the company proposing any cost of service methodology or
21 major tariff changes as part of its petition?

22

23 **A.** We are not proposing significant cost of service methodology
24 changes in this case. Witness Gregg Therrien, Vice President
25 of Concentric Energy Advisors, performed a cost of service

1 study and will testify on the results of the cost of service
2 model and how it was used to design our proposed customer
3 rates. Our filing also includes proposed tariff wording
4 changes and updated service charge levels, all of which will
5 be explained by company witness Karen L. Bramley, Manager of
6 Regulatory Affairs, in her direct testimony.

7
8 **Q.** Why does the company need this level of rate relief?

9
10 **A.** The major factors driving the need for our proposed rate
11 increase are the growth in the Florida economy and a growing
12 consumer interest in natural gas. They include strong
13 customer and rate base growth, plus associated increases in
14 depreciation expenses, property taxes and O&M expenses to
15 operate the company's system safely and reliably that are
16 outpacing the company's revenue growth. As a result of these
17 factors, driven by external forces, and to provide the kind
18 of service our customers expect as our customer base grows,
19 the company projects to earn below the bottom of its approved
20 ROE range in 2023 and earn approximately two percent ROE in
21 2024 without rate relief.

22
23 **Q.** What actions has Peoples taken to avoid making this rate
24 increase request?

25

1 **A.** The growth Peoples has experienced not only impacts its
2 capital spending but also requires more resources for
3 customer service, operations, maintenance, compliance, and
4 other activities. Peoples has worked diligently to avoid
5 seeking a base rate increase and continues to pursue
6 efficiencies to help it meet its customers' strong demand for
7 natural gas service in the communities it serves. Here are
8 some of the actions taken by Peoples to avoid seeking a base
9 rate increase.

10
11 First, Peoples voluntarily limited its ability to seek
12 interim or permanent rate relief by agreeing to the "rate
13 freeze" and "stay out" provisions in the 2020 Agreement.

14
15 Second, Peoples has pursued cost savings, cost avoidance,
16 efficiencies, and better performance throughout its
17 operations by reorganizing and redeploying resources to
18 deliberately seek and implement process improvements. The
19 company's disciplined approach has yielded improvements in
20 damage prevention and other safety metrics, talent
21 acquisition, customer experience, and project management. The
22 company's commitment to formal process improvement continues
23 to provide cost avoidance and efficiency while meeting the
24 needs of Peoples' growing system. As discussed by witness
25 Parsons, our projected 2024 O&M expenses are below the

1 Commission's cost benchmark by \$7.4 million, notwithstanding
2 these increases.

3
4 Third, the company has invested in critical technology to
5 manage its operations to provide efficiencies and
6 opportunities to expand on those efficiencies. In its 2020
7 general rate proceeding, Peoples explained its plans to
8 implement a WAM system to manage more efficiently the many
9 operational, engineering, and construction activities
10 involved in serving customers. WAM will be operational in
11 2023, and will begin to improve operating efficiencies and
12 enhance customer service by automating functions that were
13 previously performed manually. Peoples has also invested in
14 more advanced call center technology, including an enhanced
15 Interactive Voice Response ("IVR") System, to provide further
16 improvements to meeting customer service levels through the
17 company's call center. The pipeline safety improvements
18 described earlier will help reduce carbon emissions and
19 improve the efficiency of the company's distribution system.

20
21 Fourth, as I previously mentioned, the 2020 Agreement
22 contained a provision allowing Peoples to record depreciation
23 expense credits totaling \$34 million during its term to keep
24 rates stable and improve the ability to earn within its range
25 of returns allowed in the Agreement. Peoples did not use the

1 depreciation credits in 2021, used \$14 million in 2022 to
2 earn below its mid-point, and will use the remainder in 2023
3 consistent with the letter and spirit of the 2020 Agreement.
4 Despite the company's careful use of depreciation credits,
5 Peoples expects to earn below the bottom of its authorized
6 ROE range in 2023, the last year of the term of the 2020
7 Agreement.

8
9 **Q.** What impact will the requested base rate increase have on
10 typical residential and small commercial customers' bills?

11
12 **A.** Based on the company's current gas commodity price forecast
13 and the company's proposed base rate increase, we expect the
14 average residential and small commercial customer bill to
15 increase about 17.3 and 14.4 percent, respectively, over the
16 typical residential and small commercial bills in 2021
17 arising from our 2020 rate case. Considering the average bills
18 in effect in 2009 after our 2008 rate case, our proposed base
19 rate increase in this case and current commodity forecast
20 will result in a 29 and 35 percent increase for residential
21 and small commercial customers, respectively, over 16 years,
22 or a simple average of about 1.8 percent (residential) to 2.2
23 percent (small commercial) a year. As shown in Document No.
24 4 of exhibit HJW-1, these 29 and 35 percent cumulative bill
25 increases from 2009 to 2024 compare favorably to Consumer

1 Price and Producer Price indices increases from 2009 to 2022.
2 We understand that our customers do not like rate increases
3 but believe the total proposed price our customers will pay,
4 and our proposed base rates and charges are fair, just, and
5 reasonable, and will continue to position gas service as a
6 good alternative to other energy choices.

7
8 **Q.** What is the company's outlook for 2025 and beyond?

9
10 **A.** The company expects Florida and its service areas to continue
11 to grow in 2025 and thereafter, and Peoples will need to
12 continue investing and expanding its infrastructure, systems,
13 and work force to meet that growth. We have several major
14 projects on the drawing board or in progress that will be
15 significant to our future operations, including moving into
16 new corporate office space in 2025 at the end of the term of
17 the company's existing lease. As this case proceeds, we will
18 be open to creative regulatory tools to extend the life of
19 the rates established in this case, such as base rate
20 adjustments to recover the cost of specific rate base
21 additions and extension of our existing depreciation credit
22 mechanism.

23
24 **SUMMARY**

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

1 **A.** Peoples is proud to serve the growing State of Florida and
2 appreciates the opportunities and responsibilities it has as
3 a regulated gas public utility. We are proud of the way we
4 support the success of Florida and view this increase request
5 as a means to continue providing safe, reliable, and award-
6 winning natural gas distribution service to customers in
7 Florida. The base rates and charges proposed in this case are
8 fair, just, and reasonable and should be approved.

9

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

11

12 **A.** Yes.

13

14

15

16

17

18

19

20

21

22

23

24

25

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

EXHIBIT

OF

HELEN J. WESLEY

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**LIST OF PEOPLES' WITNESSES AND
PURPOSES OF THEIR DIRECT TESTIMONY**

Karen K. Sparkman, Vice President of Customer Experience, will detail the customer experience improvements made to better serve Peoples' customers.

Timothy O'Connor, Vice President of Operations, Sustainability and External Affairs, will explain the operational improvements Peoples has made to improve safety, reliability, and customer service.

Lew Rutkin, Jr., Vice President of Gas Supply and Development, will discuss the demand for natural gas in Florida, the need for certain expansion projects and associated capital investments to meet customer demand and the future of natural gas in Florida.

Christian C. Richard, Vice President of Engineering, Construction & Technology, will discuss the capital investment needed to meet customer demand.

Donna L. Bluestone, Vice President of Human Resources, will provide testimony related to compensation and benefits.

Dr. Richard K. Harper, PhD., President of Economic Consulting Services Inc., will discuss the economic conditions in Florida and will provide information on the contributions of natural gas to the economy.

Eric Fox, Director of Forecasting Solutions at Itron, will provide testimony regarding billing determinants and the base revenue forecast.

Dylan W. D'Ascendis, Partner at ScottMadden Inc., will provide a recommendation regarding the Company's proposed Return on Equity to be used for ratemaking purposes.

Kenneth D. McOnie, Vice President Tax and Treasurer for Emera Inc., will provide testimony supporting the company's proposed debt offerings in 2023 and 2024, the resulting short- and long-term interest expense for the test year, and why the company's proposed equity ratio is needed for the financial integrity of the company.

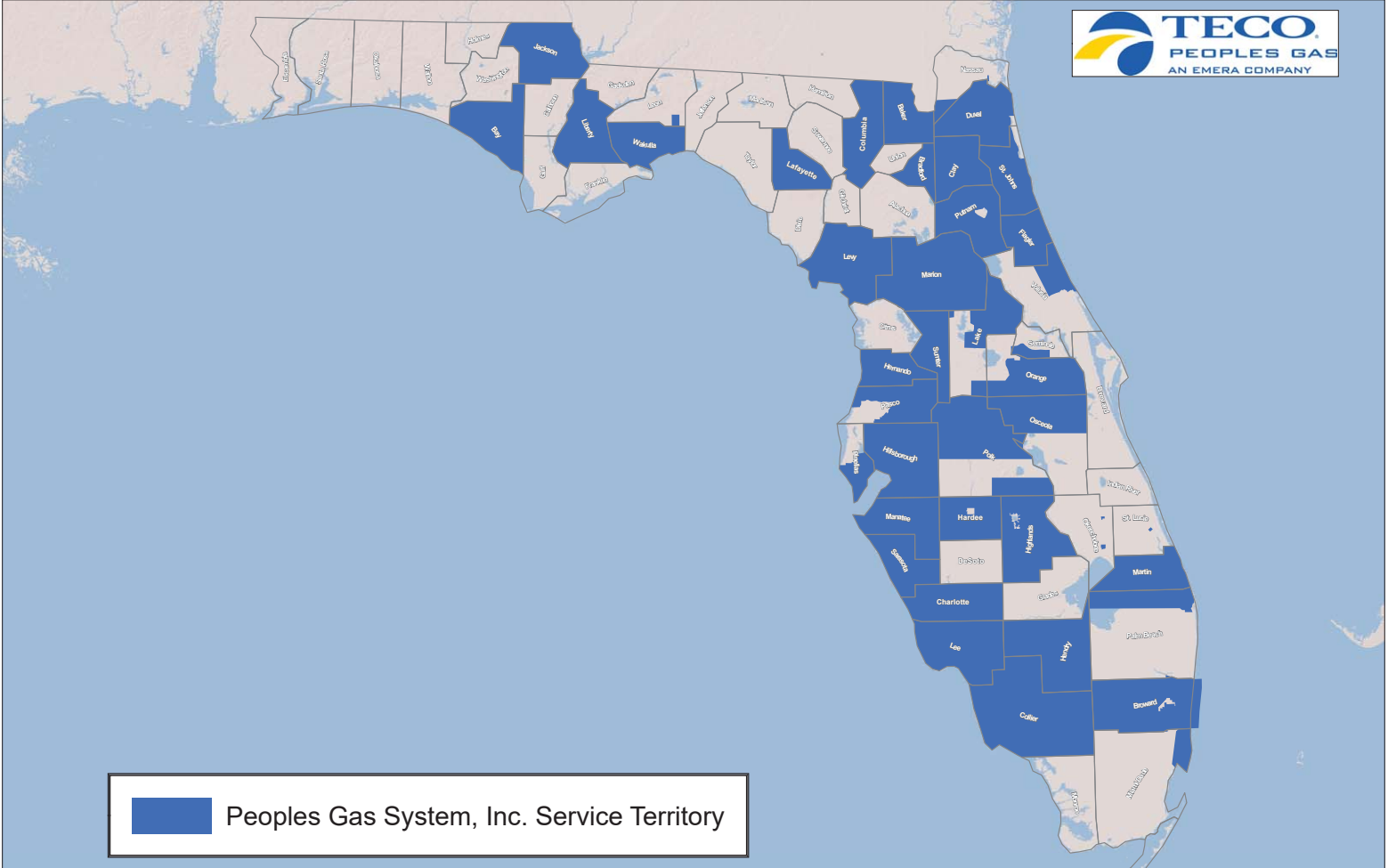
Dane A. Watson, Managing Partner in Alliance Consulting Group, will provide testimony supporting the company's Updated Depreciation Study conducted from Peoples' gas depreciable assets based on actual historical data as of December 31, 2021 and the forecasted plant and reserve balances as of December 31, 2024, and (2) support and justify the recommended depreciation rates for the company's assets.

Rachel B. Parsons, Vice President of Finance and Planning, will provide testimony supporting the company's decision to use a projected 2024 test year for ratemaking purposes, the determination of the Company's proposed annual revenue requirement, the cost of capital and associated financial topics.

Gregg Therrien, Vice President of Concentric Energy Advisors, will provide testimony regarding the cost of service study and appropriate rate design.

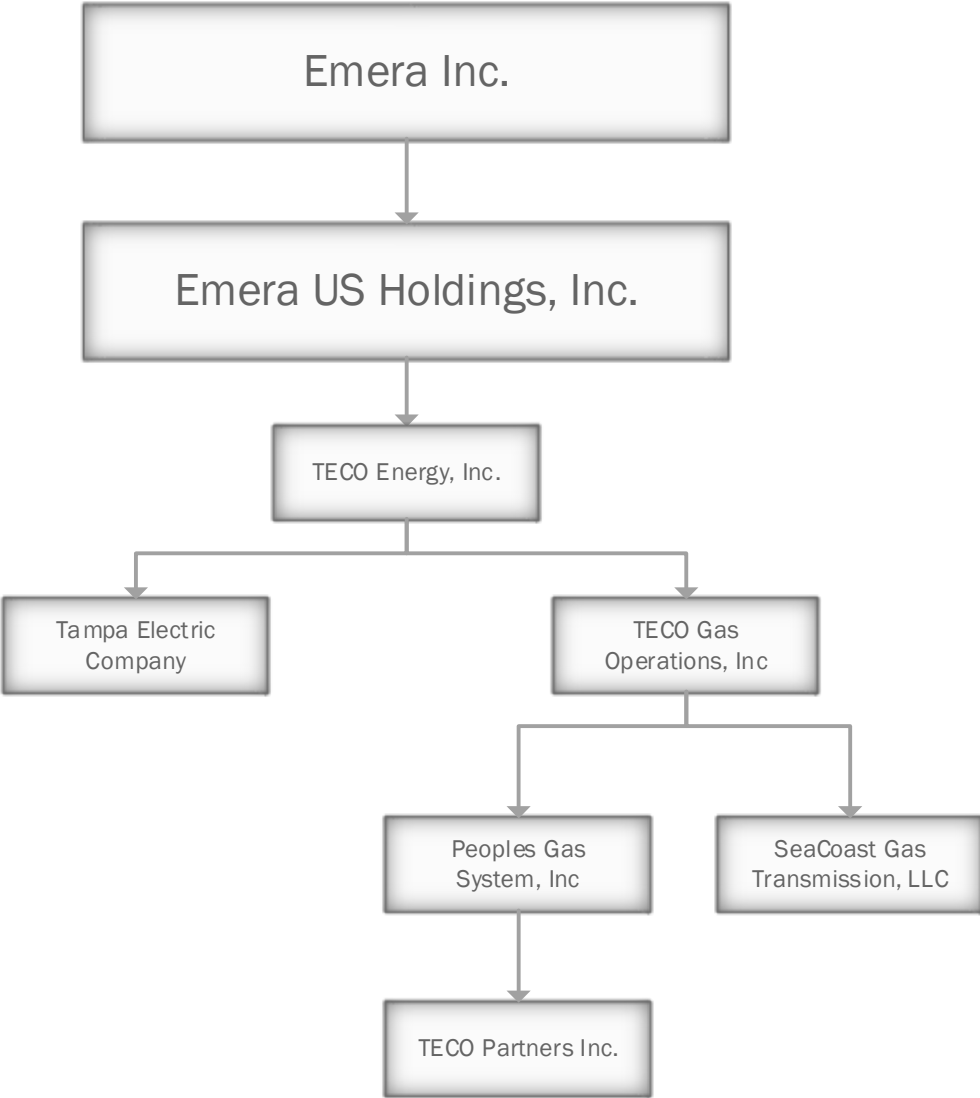
Karen L. Bramley, Manager of Regulatory Affairs, will present the revised tariff sheets reflecting the requested rate adjustments and other tariff modifications for which Peoples seeks the Commission's approval.

Areas Served By Peoples Gas

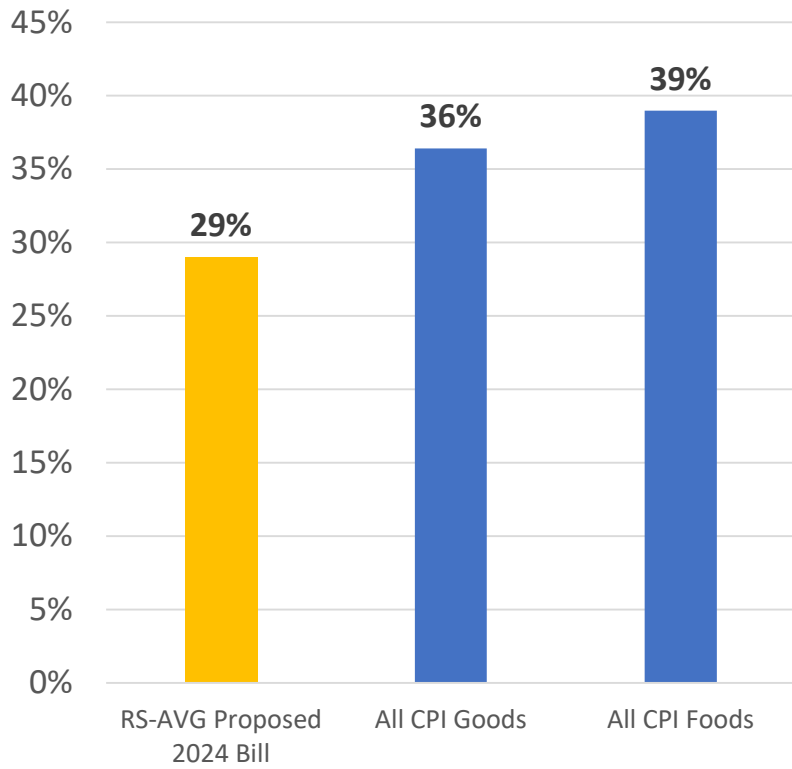


PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20230023-GU
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DOCUMENT NO. 2
PAGE 1 OF 1
FILED: 04/04/2023

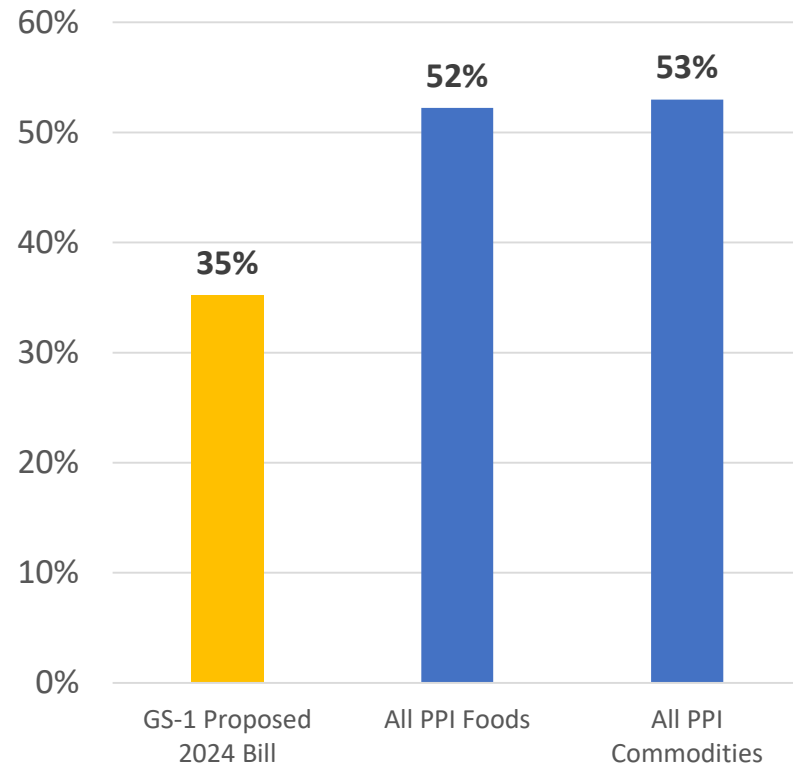
**Corporate Structure Diagram of
Peoples Gas System, Inc.,
and its Affiliates**



***Comparison of Proposed Bill Impacts to Consumer Price Indices**



****Comparison of Proposed Bill Impacts to Producer Price Indices**



*Residential metrics retrieved from BLS Consumer Price Indexes (CPI) for 2009 through 2022.

**Commercial metrics retrieved from BLS Producer Price Indexes (PPI) for 2009 through 2022.

Proposed bill impacts are calculated from our 2009 bills compared to our proposed 2024 bills.