



Attorneys and Counselors at Law
123 South Calhoun Street
P.O. Box 391 32302
Tallahassee, FL 32301
P: (850) 224-9115
F: (850) 222-7560
ausley.com

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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 20250029-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 Rebuttal Testimony of Christian Richard.

Thank you for your assistance with this matter.

(Document 2 of 7)

Sincerely,

A handwritten signature in blue ink, appearing to read 'V. Ponder'.

Virginia Ponder

cc: Major Thompson, OGC
Jacob Imig, OGC
Walt Trierweiler, Public Counsel
Jon Moyle, FIPUG

VLP/dh
Attachments



BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20250029-GU

PETITION FOR RATE INCREASE
BY PEOPLES GAS SYSTEM, INC.

REBUTTAL TESTIMONY
OF
CHRISTIAN RICHARD

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

REBUTTAL TESTIMONY

OF

CHRISTIAN RICHARD

I. INTRODUCTION

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

A. My name is Christian Richard. My business address is 3600 Midtown Drive, Tampa, FL 33607. I am employed by Peoples Gas System, Inc. ("Peoples" or the "company") as the Vice President of Engineering, Construction and Technology ("ECT").

Q. Are you the same Christian Richard who filed direct testimony in this proceeding?

A. Yes, I am.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to the direct testimony of the Office of Public Counsel ("OPC") witness Lane Kollen and his argument that the Florida Public Service Commission ("Commission") should limit growth in the

1 company's planned capital investments and reduce the
2 company's proposed rate base, return on investment, and
3 depreciation expense for the 2026 projected test year.
4

5 **Q.** Have you prepared an exhibit supporting your rebuttal
6 testimony?
7

8 **A.** No.
9

10 **Q.** Please summarize your areas of disagreement with witness
11 Kollen's testimony.
12

13 **A.** In his direct testimony, witness Kollen asserts that Peoples'
14 2026 capital budget is "outsized" and that the Commission
15 should limit the growth of Peoples' capital spending in
16 several categories to the rate of inflation, or the combined
17 rate of inflation and customer growth for the New Revenue
18 Mains category. As I explain in my rebuttal testimony, his
19 analysis is overly simplistic and his recommended level of
20 capital investment does not accurately represent the needs of
21 Peoples' system and its customers.
22

23 **Q.** Mr. Kollen recommends that the Commission should limit growth
24 in Peoples' capital investments to the rate of inflation, or
25 the combined customer and inflation growth for New Revenue

1 Mains. Do you agree with this proposal?

2
3 **A.** No. As my rebuttal testimony will explain, this proposal is
4 overly simplistic, based on incorrect assumptions, and runs
5 counter to the way that Peoples identifies, prioritizes, and
6 executes capital projects. Each of the projects in the
7 company's capital plan is needed to meet customer demand and
8 fulfill the company's obligation to serve, to meet compliance
9 requirements, or to ensure safety and reliability. Mr. Kollen
10 also fails to recognize the impact of the new blanket contract
11 construction cost increases, which are going into effect this
12 year after protecting customers from the inflation
13 experienced in the broader economy over the past five years,
14 and the efforts Peoples makes to maximize the efficiency of
15 its capital investments.

16
17 **Q.** What efforts does Peoples make to maximize the efficiency of
18 its investments in capital projects?

19
20 **A.** Peoples continues to focus on capital efficiency on behalf of
21 customers by making improvements to capital planning and
22 capital management and completing efficiency projects such as
23 the Design and Construction Performance Improvement ("DCPI")
24 project, which yielded \$6.5 million in reoccurring annual
25 capital benefits.

1 **Q.** Mr. Kollen's testimony recommends that the Commission "limit
2 the growth in the 2026 capital expenditures" based on Peoples'
3 proposed 2026 capital budget. Does the Commission approve
4 Peoples' capital budgets?

5
6 **A.** No. My understanding is that the Commission will approve a
7 level of rate base in Peoples' projected test year, not a
8 specific capital budget. As I will explain in my rebuttal
9 testimony, implementing Mr. Kollen's high-level limitation
10 would not be good for customers. It would lead to earnings
11 degradation and accelerate the need for a future rate case
12 filing since Peoples plans to invest the full budgeted amount
13 of capital in projects necessary to provide safe and reliable
14 service.

15
16 **Q.** Mr. Kollen claims on page 16 of his testimony that several
17 "unique projects" should be removed from Peoples' actual 2024
18 capital investments and 2025 capital budget to compare those
19 totals with the projected 2026 budget on a "normalized" basis.
20 Do you agree with this comparison?

21
22 **A.** No. Peoples regularly works on large capital projects. One
23 example is the Downtown Tampa Main Replacement project that
24 Peoples began this year and will continue in the 2026
25 projected test year. Peoples' past capital expenditures and

1 future capital budgets are constructed based on the company's
2 need to meet customer demand and ensure safe and reliable
3 service. In addition, some capital projects are driven by
4 individual customer demand, and the timing of those projects
5 is driven by the customer. Year-over-year, these requirements
6 can lead to a lower number of projects with larger scopes and
7 budgets or a higher number of projects with smaller scopes
8 and budgets. Another example of how capital can change from
9 year to year are the company's future investments in projects
10 to enhance system capacity in areas where customers have
11 installed large numbers of on-site generators, which I
12 discussed in my direct testimony. All projects supporting the
13 2025 and 2026 budgets are required to meet customer demand,
14 compliance requirements, or to maintain safety and
15 reliability.

16
17 **Q.** Mr. Kollen claims on page 17 of his testimony that Peoples'
18 decision to delay the Tampa Downtown Main Replacement project
19 and the AMI Pilot are "evidence of the Company's discretionary
20 ability to reduce and/or delay capital expenditures,
21 temporarily avoid the costs related to those expenditures"
22 and "in that manner enhance earnings between rate cases." Do
23 you agree with this assessment?

24
25 **A.** No. Peoples did not delay the Downtown Tampa Main Replacement

1 project and AMI Pilot to avoid costs and "enhance earnings"
2 as Mr. Kollen alleges. First, the company's decision to delay
3 these projects did not result in avoidance of any costs. As
4 explained in my direct testimony, Peoples delayed these
5 projects to address other priorities. Document No. 3 of my
6 direct testimony exhibit illustrates that the company spent
7 the full capital budget for 2024. Second, these projects are
8 still needed. My direct testimony explains that the Tampa
9 Downtown Main Replacement project is necessary to address
10 safety concerns and increase capacity to the downtown area to
11 ensure reliability. Peoples' witness Timothy O'Connor
12 describes the need and value of the AMI pilot in his direct
13 testimony. Finally, both projects are currently underway,
14 which further demonstrates the need for these projects.
15

16 **Q.** On page 17 of his testimony, Mr. Kollen also asserts that
17 Peoples has "outsized growth" in certain investment
18 categories in 2026 as compared to 2024 and 2025. Do you agree
19 with this characterization?
20

21 **A.** No. Mr. Kollen claims that the growth in these categories is
22 "outsized," but does not challenge any of the projects that
23 make up these categories of spending or the need for the
24 company's planned investments in these areas. My direct
25 testimony explains that the increase in the capital budget

1 for these areas in 2026 is driven mostly by Reliability,
2 Resiliency, and Efficiency ("RRE") projects to meet
3 compliance requirements, ensure safe operations, and address
4 capacity constraints for a growing, ageing, and increasingly
5 more complex system. For example, the RRE budget increase
6 from 2025 to 2026 equals \$79.8 million. The majority of this
7 increase consists of 19 Distribution System Improvements,
8 Main Replacement, and Measuring and Regulation ("M&R")
9 Station Equipment projects totaling \$67.3 million, not
10 including Tampa Downtown Main Replacement Project. These
11 projects are required to meet Pipeline and Hazardous
12 Materials Safety Administration ("PHMSA") requirements and
13 ensure safety and resiliency as described in my direct
14 testimony. These projects alone account for 30 percent of
15 total planned RRE investment in 2026.

16
17 **Q.** On page 18 of his testimony, witness Kollen says that the
18 growth in these categories of capital spending is not
19 justified by customer growth or inflation in 2025 or 2026.
20 Are customer growth and inflation the only justifications
21 Peoples offers for its planned capital investments?

22
23 **A.** No. Customer growth and inflation are only two factors that
24 influence the company's capital investment needs. Peoples'
25 capital budgeting process is far more complex and influenced

1 by many factors in addition to customer growth and inflation,
2 including compliance requirements, safety, and improvements
3 in resiliency and reliability. Each category of spending
4 challenged by Mr. Kollen has its own unique influences.
5

6 **Q.** What factors influenced the company's planned investments in
7 New Revenue Main projects in 2026?
8

9 **A.** As explained in my direct testimony, Peoples set the 2025 and
10 2026 New Revenue Mains budgets based on customer demand,
11 including actual customer-backed projects and signed
12 developer agreements, load forecasts, and some trending of
13 new customer growth. The other major factor impacting the
14 2025 and 2026 New Revenue Mains budgets is construction costs.
15 Approximately 30-40 percent of Peoples' capital budget is
16 executed through five-year "blanket contracts" with third
17 party construction companies. Peoples recently completed a
18 nearly 18-month Request For Proposal ("RFP") process to renew
19 its existing blanket contracts, which expire in mid-2025.
20 Based on the results of the RFP, blanket contract construction
21 costs will increase 20 percent on average, impacting nearly
22 80 percent of the total \$87.4 million investment in the New
23 Revenue Mains cost category. These new costs take effect mid-
24 2025 and will directly impact the 2025 and 2026 New Revenue
25 Mains budgets.

1 **Q.** What factors influenced the company's planned investments in
2 Distribution System Improvements projects in 2026?
3

4 **A.** Peoples' Distribution System Improvements budget is
5 influenced by the new blanket contract rates I previously
6 described, as well as PHMSA compliance requirements and
7 safety and reliability needs. Approximately 82 percent of
8 Peoples' Distribution System Improvements budget for 2026 is
9 comprised of 16 specific projects required to meet PHMSA
10 requirements (Mega Rule) and ensure system reliability. The
11 remaining 18 percent of the 2026 Distribution System
12 Improvements budget addresses the safety and reliability
13 system issues that come with an ageing and growing system
14 described in witness O'Connor's direct testimony. This
15 portion of the Distribution System Improvement budget is
16 aligned with the previous year's spending.
17

18 **Q.** What factors influenced the company's planned investments in
19 Measuring and Regulation Station Equipment projects in 2026?
20

21 **A.** The major factors influencing Peoples' planned investments in
22 Measuring and Regulation Station Equipment in 2026 are load
23 growth and safety requirements. The company needs to rebuild
24 five Gate and Regulator Stations in 2026 to address capacity
25 constraints and implement safety improvements. These projects

1 account for over 85 percent of the costs in this cost category
2 in 2026.

3
4 **Q.** What factors influenced the company's Improvements to
5 Property budget for 2026?

6
7 **A.** As witness O'Connor explained in his direct testimony, the
8 company's 2026 budget for Improvements to Property includes
9 large renovations to several service area offices, including
10 a delayed investment in Peoples' Orlando Service Center.

11
12 **Q.** What factors influenced the company's Technology projects
13 budget for 2026?

14
15 **A.** Technology projects are influenced by many factors including
16 cyber security requirements, upgrades and patches to existing
17 software and team member equipment requirements (laptops).
18 Technology investments are also influenced by general
19 inflation and, over time, customer growth as well.

20
21 **Q.** On page 19 of his testimony, Mr. Kollen proposes that Peoples
22 can replace problematic plastic pipe ("PPP") over a longer
23 period of time to reduce planned capital expenditures for
24 these replacements in 2026 to actual 2024 or forecasted 2025
25 capital expenditures. Do you agree with his proposal?

1 **A.** No. First, it is important to note that the proper amount of
2 investment in PPP replacement is not an issue in this rate
3 case. Second, the annual cast iron/bare steel replacement
4 rider ("Rider CI/BSR") docket established in Commission Order
5 No. PSC-12-0476-TRF-GU is the appropriate proceeding to
6 address the pace of Peoples' replacement activities. Finally,
7 Peoples plans to complete PPP replacement because it is
8 important safety-related work.

9
10 **Q.** On page 20 of his testimony, Mr. Kollen asserts "there is no
11 incremental growth in capital expenditures year over year due
12 to customer growth unless the customer growth is greater in
13 the test year than the customer growth reflected on average
14 in prior years" to argue that growth in the New Revenue Mains
15 budget category is not correlated with customer growth. Do
16 you agree with Mr. Kollen's assertion?

17
18 **A.** No. This is an overly simplistic view and inaccurate. Mr.
19 Kollen fails to consider the impact of other factors on growth
20 in the New Revenue Mains budget, such as the new blanket
21 contract rates I previously described, and that Peoples'
22 budgets are based on distribution mains required to meet
23 customer demand, including specific customer-backed projects
24 for both individual customers and large residential
25 developments. Each customer's needs are different, which

1 means that each customer requires a uniquely engineered
2 system solution. This in turn means that the projected budget
3 for New Revenue Mains can vary from year to year based on the
4 unique mix of customer projects.

5
6 **Q.** Is the company's level of investment in New Revenue Mains
7 correlated with customer demand?

8
9 **A.** Yes. The 2025 and 2026 New Revenue Mains budgets are
10 influenced by customer demand and the construction costs to
11 serve that demand. It is important, however, to distinguish
12 between customer demand and customer growth. New Revenue
13 Mains are designed and engineered to meet the demand of a
14 particular customer or developer. The rate at which customers
15 (services) are added to a main varies, as does the scope and
16 budget of each main. For example, large customer-backed mains
17 can require more capital to serve a single large-load
18 customer. There are four individual main projects in the 2026
19 budget that will each serve one customer. These four projects
20 account for \$14 million, or approximately 16 percent of the
21 total capital budget for New Revenue Mains. The number and
22 size of individual customer main projects can vary year to
23 year. Construction costs for these projects are subject to
24 competitive market rates for projects that are competitively
25 bid on, while construction costs for \$68.5 million of

1 projects, or nearly 80 percent, are exposed to the new blanket
2 contract rates described above.

3
4 **Q.** What would be the effect of implementing Mr. Kollen's
5 recommendation?

6
7 **A.** While it is not entirely clear from his testimony, my
8 understanding of Mr. Kollen's proposal is that the Commission
9 would disallow cost recovery for capital investments above
10 the level of Peoples' prior year capital budget adjusted for
11 inflation. Peoples plans to spend its full projected capital
12 budget to meet its obligation to serve, remain compliant with
13 regulatory and safety obligations, and ensure system safety
14 and reliability. If the Commission adopts Mr. Kollen's
15 recommendation, Peoples will be challenged to serve customers
16 safely and reliably, meet customer demand, and have an
17 opportunity to earn a reasonable return on our investment.

18
19 **II. SUMMARY**

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

21
22 **A.** Peoples' proposed capital budgets for 2025 and 2026 are
23 reasonable. Mr. Kollen's critique of those budgets is
24 inaccurate, and his overly simplistic recommendations would
25 result in disallowance of cost recovery for projects that are

1 necessary to meet customer demands and operate Peoples'
2 system safely and reliably. This in turn would impair Peoples'
3 ability to earn an adequate return on its investments.

4
5 **Q.** Does this conclude your rebuttal testimony?

6
7 **A.** Yes, it does.

8

9

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