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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 1 - PAGES 1 - 151

PROCEEDINGS: HEARING

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

DATE: Tuesday, September 12, 2023

TIME: Commenced: 1:15 p.m.  
Concluded: 3:58 p.m.

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

REPORTED BY: DEBRA R. KRICK  
Court Reporter

PREMIER REPORTING  
112 W. 5TH AVENUE  
TALLAHASSEE, FLORIDA  
(850) 894-0828

1 APPEARANCES:

2 J. JEFFREY WAHLEN, MALCOLM N. MEANS and  
3 VIRGINIA PONDER, ESQUIRES, Ausley Law Firm, Post Office  
4 Box 391, Tallahassee, Florida 32302; appearing on behalf  
5 of Peoples Gas Systems, Inc. (PGS).

6 WALT TRIERWEILER, PUBLIC COUNSEL, CHARLES  
7 REHWINKEL, DEPUTY PUBLIC COUNSEL, PATRICIA A.  
8 CHRISTENSEN and MARY ALI WESSLING, ESQUIRES, OFFICE OF  
9 PUBLIC COUNSEL, c/o The Florida Legislature, 111 West  
10 Madison Street, Room 812, Tallahassee, Florida  
11 32399-1400, appearing on behalf of the Citizens of the  
12 State of Florida (OPC.).

13 JON C. MOYLE, JR., ESQUIRE, Moyle Law Firm,  
14 118 North Gadsden Street, Tallahassee, FL 32301;  
15 appearing on behalf of Florida Industrial Users Group  
16 (FIPUG).

17 RYAN SANDY and MAJOR THOMPSON, ESQUIRES, FPSC  
18 General Counsel's Office, 2540 Shumard Oak Boulevard,  
19 Tallahassee, Florida 32399-0850, appearing on behalf of  
20 the Florida Public Service Commission (Staff).

21 KEITH HETRICK, GENERAL COUNSEL; MARY ANNE  
22 HELTON, DEPUTY GENERAL COUNSEL, Florida Public Service  
23 Commission, 2540 Shumard Oak Boulevard, Tallahassee,  
24 Florida 32399-0850, Advisor to the Florida Public  
25 Service Commission.

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I N D E X

WITNESS:	PAGE
HELEN JUNE WESLEY	
Examination by Mr. Wahlen	46
Prefiled Direct Testimony inserted	49
Prefiled Rebuttal Testimony inserted	100
Examination by Ms. Wessling	122

1	EXHIBITS			
2	NUMBER:		ID	ADMITTED
3	1	Comprehensive Exhibit List	11	11
4	2-159	As identified in the CEL	11	
5	2-11	Comprehensive Exhibit List		12
6	109-157	Comprehensive Exhibit List		12
7	160	HW-2019 Memo-Confidential	133	
8				
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10				
11				
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1 P R O C E E D I N G S

2 CHAIRMAN FAY: All right. Good afternoon,  
3 everyone. We will call this hearing to order.

4 Staff, can you please read the notice?

5 MS. CRAWFORD: Good afternoon. Pursuant to  
6 notice, this time and place has been set for a  
7 hearing in Dockets Nos. 20230023, 20220219 and  
8 20220212, regarding a petition for rate increase by  
9 Peoples Gas System, Inc. The purpose of the notice  
10 is set out -- or purpose of the hearing is set out  
11 more fully in the notice.

12 CHAIRMAN FAY: Great. Thank you.

13 Okay. Commissioners, next we are be we are  
14 going to move into appearances, but before we do  
15 that, I just wanted to mention real quickly, as all  
16 the parties know, and some of the Commission, staff  
17 have been working on this, we are implementing and  
18 incorporating Case Center software today, which  
19 hopefully will ease the hearing. Sometimes  
20 technology can go the other way, but we are going  
21 to be optimistic that this is going to be helpful  
22 to all parties involved.

23 And so with that said, if you do run into some  
24 issue or component when you are operating through  
25 Case Center that you don't have the material that

1           you need in front of us, please just put your hand  
2           up, let me know, and we will make sure to pause  
3           briefly and get you what you need, make sure you  
4           have it.

5           So with that said, we are also going to do our  
6           best to make sure that we have the information that  
7           is being publicly discussed being an exhibit and/or  
8           testimony up on the screen behind us, so for those  
9           members of the public who want to see it, they are  
10          able to do so.

11          With that, we will move into appearances.  
12          Commissioners anything else?  Nope.

13          Peoples Gas, you are recognized for your  
14          appearance.

15          MR. WAHLEN:  Good afternoon, Commissioners.  I  
16          am Jeff Wahlen, appearing with Malcolm Means and  
17          Virginia Ponder of the Ausley McMullen Law Firm on  
18          Peoples Gas System, Inc.

19          CHAIRMAN FAY:  All right.  Thank you.

20          OPC.

21          MS. WESSLING:  Good afternoon, Commissioners.  
22          This is Ali Wessling with the Office of Public  
23          Counsel.  I would like to enter an appearance for  
24          Mr. Trierweiler, Mr. Rehwinkel, Ms. Christensen and  
25          Mr. Ponce as well.

1 Thank you.

2 CHAIRMAN FAY: Okay. Great. Thank you.

3 And, FIPUG, Mr. Moyle.

4 MR. MOYLE: Good afternoon, Mr. Chairman. Jon  
5 Moyle with the Moyle Law Firm, on behalf of the  
6 Florida Industrial Power Users Group, commonly  
7 referred to as FIPUG. And I also would like to  
8 enter an appearance with Karen Putnal with our  
9 firm.

10 Thank you.

11 CHAIRMAN FAY: Great. Thank you.

12 All right. Staff.

13 MR. THOMPSON: Major Thompson, Ryan Sandy,  
14 Austin Watrous and Daniel Dose on behalf of  
15 Commission staff.

16 MS. HELTON: And Mary Anne Helton is here as  
17 your Advisor, along with your General Counsel,  
18 Keith Hetrick.

19 CHAIRMAN FAY: Great. Thank you.

20 All right. Commissioners, next we are going  
21 to move into preliminary matters. I think we have  
22 a few things to take up.

23 Staff.

24 MR. THOMPSON: Just a few things, Mr. Chair.

25 The parties are proposing Type 1 and Type 2

1 stipulations on a number of issues. Staff suggests  
2 that the proposed stipulations be taken up after  
3 the parties have made their opening statements.

4 Additionally, the parties have stipulated to  
5 the prefiled testimony and exhibits of utility  
6 witnesses Karen Sparkman, Lew Rutkin, Richard  
7 Harper, Eric Fox, Gregg Therrien, Karen Bramley and  
8 Luke Buzard, as well as staff witnesses, Donna  
9 Brown and Angela Calhoun.

10 Staff has conferred with each of the  
11 Commissioner's offices and confirmed that they have  
12 no questions for these witness, and that they may  
13 be excused from the hearing. Staff recommends that  
14 their prefiled testimony and corresponding prefiled  
15 exhibits should be entered into the record in order  
16 of their appearance per the prehearing order.

17 According to the prehearing order, the utility  
18 will be presenting both direct and rebuttal  
19 testimony at the same time.

20 And also, OPC filed a motion requesting that  
21 the Commission provide a time certain for witness  
22 David Garrett. In light of the rescheduling due to  
23 Hurricane Idalia, witness Garrett, along with  
24 witnesses D'Ascendis and Watson, have been  
25 preapproved to testify remotely. Consequently, the

1 motion for time certain is now moot. However, due  
2 to differing witness availability, some testimony  
3 may be taken out of order.

4 Finally, OPC filed a motion requesting that  
5 the Commission take official recognition of 33  
6 Commission orders and the written customer comments  
7 submitted in this docket. Commissioner Passidomo  
8 granted that motion at the prehearing conference.

9 That is all the preliminary matters staff had  
10 earmarked.

11 CHAIRMAN FAY: Okay. Great. Thank you, Mr.  
12 Thompson.

13 So let me just make sure with the parties. We  
14 do -- Mr. Thompson, you were saying that issue with  
15 the time certain vote for the witness is kind of  
16 moot, but essentially we do still have some time  
17 limitations as to when we would take up certain  
18 witnesses, is that correct?

19 MR. THOMPSON: That's correct.

20 CHAIRMAN FAY: Okay. Great.

21 And so just so the parties fully understand,  
22 it looks like witness Garrett would be available  
23 Thursday morning. Is that something that everyone  
24 is aware of and okay with?

25 MR. WAHLEN: Yes. We are fine with that.

1           CHAIRMAN FAY: Okay. And then we do have two  
2 other witnesses, D'Ascendis and Watson, that will  
3 be appearing remotely also.

4           MR. WAHLEN: And they are available tomorrow.

5           CHAIRMAN FAY: Okay. Gotcha.

6           MR. WAHLEN: Thank you.

7           CHAIRMAN FAY: Okay. Great.

8           Seeing no other preliminary matters, let's go  
9 ahead and move into exhibits, Mr. Thompson.

10          MR. THOMPSON: Thank you.

11          Staff has compiled a comprehensive exhibit  
12 list, or CEL. Item 1 on the list is the CEL  
13 itself. Exhibits 2 through 11 are the utility's  
14 MFRs. The prefiled exhibits attached to the  
15 witnesses' testimony are labeled 12 through 108,  
16 and staff's hearing exhibits are 109 through 156.  
17 Exhibit 157 is the utility's proof of noticing, and  
18 the parties' proposed stipulations are included on  
19 the CEL as Exhibits 158 and 159.

20          The list has been provided to the parties, the  
21 Commissioners and the court reporter.

22          Staff requests that the CEL be marked for  
23 identification purposes as Exhibit 1, and that the  
24 other exhibits listed on the CEL be marked for  
25 identification as set forth by the CEL.

1 CHAIRMAN FAY: Okay. Show the exhibits  
2 marked.

3 (Whereupon, Exhibit Nos. 1 - 159 were marked  
4 for identification.)

5 MR. THOMPSON: At this time, staff requests  
6 that the CEL, marked as Exhibit No. 1, be entered  
7 into the record.

8 CHAIRMAN FAY: Okay. Seeing no objections,  
9 Exhibit 1 entered into the record.

10 (Whereupon, Exhibit No. 1 was received into  
11 evidence.)

12 MR. THOMPSON: The prefiled exhibits will be  
13 moved at the conclusion of each witnesses'  
14 cross-examination. It is staff's understanding  
15 that the parties do not object to the entry of the  
16 MFRs, which a numbers 2 through 11, the staff  
17 hearing exhibits exhibit, numbers -- Exhibit Nos.  
18 109 through 156, or the proof of noticing, Exhibit  
19 157.

20 Staff asks that the exhibits numbered -- that  
21 -- I am sorry. Staff asks that exhibits Nos. 2  
22 through 11 and 109 through 157 be moved into the  
23 record as set forth on the CEL.

24 CHAIRMAN FAY: Okay. And all the parties have  
25 had a chance to review the comprehensive exhibit

1 list?

2 Okay. Seeing any objections to Exhibit 2  
3 through 11 and 109 through 157.

4 MR. WAHLEN: No objection.

5 CHAIRMAN FAY: No objections, okay.

6 MR. MOYLE: No objection.

7 CHAIRMAN FAY: Thank you, Mr. Moyle.

8 Hearing no objections, we will show 2 through  
9 11 and 109 through 157 entered into the record.

10 (Whereupon, Exhibit Nos. 2-11 & 109-157 were  
11 received into evidence.)

12 CHAIRMAN FAY: All right. That takes care of  
13 our initial exhibits.

14 Next we will move to opening statements. We  
15 will allow each party to have 10 minutes to make  
16 their opening statement, and we will go in the  
17 order of Peoples Gas, OPC and then FIPUG.

18 So with that, Peoples Gas, you are recognized.

19 MR. WAHLEN: Thank you, and good afternoon,  
20 Commissioners.

21 Today we begin the final hearing on Peoples  
22 Gas System, Inc.'s, request to increase its base  
23 rates and charges by approximately \$135 million.  
24 This amount includes about \$11.6 million of cast  
25 iron/bare steel revenue that Peoples proposes to

1           move from the CBIBS rider to base rates. So the  
2           company is actually increasing, or requesting new  
3           net revenues of about \$124 million.

4                   Peoples is here today only after considering  
5           the many complex factors behind its need for rate  
6           relief, and importantly, the long-term interest of  
7           its customers. Peoples needs its proposed rates  
8           increase so it can continue to provide the safe and  
9           reliable gas service that its customers have come  
10          to expect.

11                   We have not arrived here today without  
12          considerable work. One set of the company's  
13          initial filing filled one banker's box. Peoples  
14          responded to 238 requests for production of  
15          documents and 52 data requests. It answered 445  
16          interrogatories, many of which had subparts. Your  
17          staff and OPC took 15 depositions. The company  
18          produced over 36,000 Bates numbered pages, and  
19          about 640 live Excel files, each with multiple  
20          tabs. The company filed 32 requests for  
21          confidential classification. It's safe to say that  
22          discovery in this case was extensive.

23                   Our witnesses look forward to helping you  
24          understand Peoples, its challenges and its  
25          successes. You will hear about award winning

1 customer service, a solid safety record and  
2 industry low customer complaints.

3 Our witnesses will describe the remarkable way  
4 our great state is growing, and how that growth has  
5 impacted the company. They will also explain how  
6 economic forces, like high inflation, rising  
7 capital costs and a unique labor market have  
8 challenged Peoples the same way they have  
9 challenged our customers.

10 Peoples is pleased that we have been able to  
11 stipulate about a third of the 75 issues identified  
12 in the prehearing order. Of the remaining issues,  
13 about 15 are cost of service and rate design, for  
14 which Peoples has provided the only evidence. The  
15 rest generally fit into four categories.

16 The first category is capital structure,  
17 primarily return on equity and equity ratio, both  
18 of which are critical parts of the ratemaking  
19 formula. You will hear from Dylan D'Ascendis, who  
20 describes how the cost of capital has gone up and  
21 why a midpoint return on equity of 11 percent, plus  
22 or minus 100 basis points, is reasonable. Ken  
23 McOnie will support and explain why the company's  
24 proposed 54.7 percent equity ratio is reasonable.  
25 Both witnesses will explain in rebuttal why Public

1 Counsel's positions on return on equity and equity  
2 ratios should not be adopted.

3 The second category is what we've called the  
4 2023 Transaction. When TECO Energy acquired  
5 Peoples Gas in 1998, the old Peoples Gas  
6 Corporation was merged into Tampa Electric Company.  
7 Peoples operated as a division of Tampa Electric  
8 from 1998 until January of this year, when its  
9 assets and liabilities were transferred to a new  
10 corporation called Peoples Gas System, Inc.

11 The company's President and CEO Helen Wesley  
12 will explain that this transaction is not a bad  
13 thing, but is part of the growth, evolution and  
14 success of Peoples. You will hear that the  
15 transaction gives Peoples a corporate structure  
16 that is commonly used by business organizations,  
17 and will enable Peoples to manage the timing and  
18 quantum of its borrowings and to optimize the level  
19 of short- and long-term debt based solely on  
20 Peoples' needs, and the market's evaluation of  
21 Peoples' business profile.

22 Ms. Wesley will explain why the '23  
23 Transaction is prudent and in the best long-term  
24 interest of our customers, and why the recurring  
25 incremental cost associated with the transaction,

1           like audit fees, credit rating agency costs and  
2           interest expense, should be recovered through base  
3           rates.

4                     Mr. Ken McOnie will explain the process the  
5           company will use to issue its short- and long-term  
6           debt for the first time later this year, and why  
7           recovering the market-based cost of debt for  
8           Peoples Gas is vitally important to the company and  
9           its customers.

10                    The third category is O&M expenses. Peoples  
11           will prove that its proposed level of O&M expenses  
12           for the 2024 test year is reasonable and should be  
13           approved. Witness Rachel Parsons will show that  
14           the company's revised proposed 2024 test year O&M  
15           expenses are about \$145 million, or about \$13.4  
16           million below the Commission's O&M benchmark.

17                    Public Counsel has expressed concern about the  
18           number of new employees reflected in the company's  
19           test year O&M expenses. Vice-President of  
20           Operations Tim O'Connor will explain that system  
21           growth means more work, and more work means a need  
22           for more people. He will explain that the  
23           company's work orders for service, compliance,  
24           locates and meter readings are expected to grow  
25           from about \$6.2 million in 20 -- I am sorry, 6.2

1 million in 2020 to 7.5 million in 2024, or at about  
2 a compound average growth rate of four percent.

3 He will also show that the company's O&M  
4 expenses per employee in 2024 is expected to be  
5 lower than in 2020, and that O&M expense per work  
6 order has grown only about one percent since 2020;  
7 which is remarkable, given the level of inflation  
8 and customer growth experienced by the company.

9 The testimony of witnesses O'Connor, Richard  
10 and Bluestone will explain each new position, what  
11 each new employee will do, and how each new  
12 employee will help the company meet the company's  
13 increasing workload.

14 The company's evidence will show that its  
15 proposed O&M expense levels are reasonable and  
16 necessary so that the company can continue  
17 providing safe and reliable customer service in its  
18 rapidly growing service territory.

19 The last group much issues relate to  
20 depreciation. Peoples filed a depreciation study  
21 in December of last year, and updated it in July of  
22 this year.

23 OPC recommends depreciation rates for five  
24 asset classes that reflect longer lives than those  
25 proposed by Peoples. It also proposes to lower the

1           company's annual depreciation expense by amortizing  
2           the company's hypothetical depreciation reserve  
3           surplus over 10 years rather than over the  
4           remaining lives of the company's assets.

5           Peoples will show that its proposed  
6           depreciation lives are reasonable, and that the  
7           longer lives proposed by Public Counsel are not.

8           OPC's proposed amortization of the  
9           hypothetical reserve surplus is inconsistent with  
10          the way that the Commission traditionally sets  
11          depreciation rates and, as proposed, should not be  
12          approved.

13          Peoples appreciates the opportunity to share  
14          its story over the next few days, and would like to  
15          thank your staff and the consumer parties for their  
16          professionalism and hard work in this case.

17          Our focus for the next few days will be on the  
18          company's test year revenue requirement, but at the  
19          end of the day, the Commission will vote on  
20          customer rates, which I suppose is why they call  
21          this a rate case.

22          Peoples' proposed base rates and charges in  
23          the resulting typical bills are based on a  
24          reasonable cost of service study, were developed  
25          using traditional rate design principles, and

1 compare favorably with the rates recently approved  
2 by the Commission for two other LDCs, even before  
3 any adjustments to the company's proposed revenue  
4 requirement.

5 Peoples request that the Commission find that  
6 its proposed base rates and charges and related  
7 tariff changes are fair, just and reasonable, and  
8 approve them to be effective with the first billing  
9 cycle in January 2024.

10 Thank you.

11 CHAIRMAN FAY: Okay. Thank you, Mr. Wahlen.

12 Next we have OPC.

13 MS. WESSLING: Thank you. Ali Wessling on  
14 behalf of the Office of Public Counsel. I am  
15 appearing here on behalf of Mr. Trierweiler, the  
16 Public Counsel of the State of Florida. And my  
17 colleagues and I have the privilege of representing  
18 the customers of Peoples Gas in this matter.

19 As a preliminary matter, I wanted to convey  
20 that we at OPC are excited to use this Case Center  
21 technology that you referenced earlier, and we are  
22 excited to incorporate that technology into the way  
23 that the Commission carries out hearings. While  
24 this will certainly help with efficiency in the  
25 long run, I did want to let everyone know that

1           there are a large number of confidential exhibits  
2           that will be at play here, and we've gone to every  
3           effort to come up with an efficient way to  
4           distribute those and make that as quick as we can,  
5           but we will ask for some patience with us as we  
6           work through sort of combining the technology with  
7           the necessary paper copies of the confidential  
8           exhibits.

9           We anticipate that the Commission staff and  
10          the other parties will understand and be patient  
11          with us as we go out -- go throughout this process.  
12          And I would also note that due to that large amount  
13          of confidential information that has a direct  
14          bearing on this case, and on OPC's advocacy, that  
15          we will have to ask certain questions very  
16          carefully, and that might take a little bit more  
17          time than it otherwise would; but just know that we  
18          are trying to be as efficient as we possibly can,  
19          but also being sensitive to all the confidential  
20          information.

21          We would also like to point out that, as Mr.  
22          Wahlen mentioned, that, and along with FIPUG, we  
23          have worked out several issues in this case in  
24          advance of this hearing. We believe that the  
25          stipulations that have been reached are in the best

1 interest of everyone, and we do urge you to approve  
2 them. We note that the stipulations have resulted  
3 in the excusal of at least seven witnesses from  
4 their live appearance here today.

5 However, despite those stipulations and the,  
6 what we were able to accomplish together, there  
7 remain several highly contested issues in this  
8 case, and how you adjudicate those will have a  
9 significant impact on customers.

10 In each and every one of the remaining  
11 contested issues, PGS has the burden to prove that  
12 their costs and investments are prudent, and that  
13 their rate increase request will result in fair,  
14 just and reasonable rates for customers. Some of  
15 these costs are actuals since the conclusion of  
16 PGS's last case, but almost all of the other costs  
17 are fully projected, and they are just numbers on  
18 paper until the company demonstrates that their  
19 projections are reliable and proven.

20 OPC retained two experts in this matter, Lane  
21 Kollen and David Garrett, and you will hear from  
22 both of them in this matter.

23 Mr. Kollen, who has worked for industry and  
24 customers for most of the past four decades, will  
25 provide his expert opinion about reasonable and

1           necessary adjustments to the revenue requirement  
2           where the company has failed to meet its burden of  
3           proof.

4           Mr. Garrett, who has extensive experience on a  
5           highly respected Commission staff, will testify  
6           about why his recommended return on equity is more  
7           reasonable than what PGS has requested in this  
8           case. He will also recommend depreciation rates  
9           and a surplus disposition that yields a fair and  
10          equitable result for the customers and for PGS.

11          Never forget, though, that PGS, not OPC, bears  
12          the burden of proof on each and every of the  
13          contested issues that remain in this matter. In  
14          addition to remembering that PGS bears the burdens  
15          of proof, the Commission must also keep a few other  
16          things in mind. The quality of the evidence is  
17          more important than the quantity of the evidence.  
18          This case must not be decided on the basis of which  
19          party calling the most witnesses to the stand. If  
20          that were the case, we could all just go home now.  
21          The Commission must carefully weigh the quality of  
22          the evidence, and determine if it stands up to  
23          cross-examination from the intervenors and staff.

24          We at OPC anticipate that, at the end of this  
25          hearing, you will agree that the quality of PGS's

1 evidence on issues like the 2023 Transaction,  
2 certain operation and maintenance expenses, capital  
3 expenditures, return on equity, will not support  
4 the magnitude of the company's requested rate  
5 increase in this case.

6 OPC has reviewed thousands of pages of  
7 documents, many of them confidential, and we have  
8 worked hard to isolate the documents that most  
9 clearly show the weaknesses in the evidence put  
10 forth by the company. Pay attention to the  
11 discrepancies that you see in the evidence, such as  
12 how the company acknowledges the historic customer  
13 growth over the last few years, but also  
14 characterizes it as a burden despite the revenues  
15 that go hand-in-hand with that growth.

16 Pay attention to the fact that the company is  
17 in the last stages of implementing \$34 million  
18 worth of work asset management technology to  
19 improve efficiency, but also claimed until just a  
20 few weeks ago that no cost savings from that  
21 investment will materialize until after the test  
22 year, which would deprive customers of any  
23 ratemaking benefit of that enormous investment.

24 Take note of the theme of this filing. There  
25 are many debits and few credits. Lots of projected

1 costs hit their peak in the test year, but where  
2 are the benefits in the form of efficiencies that  
3 should exist in the age of technological advance?

4 The evidence will show that the expected  
5 benefits do not reach the customers. They lie just  
6 outside the test year, and will be scooped up by  
7 the shareholders if the Commission sets rates as  
8 PGS has requested without recognizing that some of  
9 PGS's costs will go away after the ink dries on the  
10 order in this case, such as when the new  
11 transformational changes allow the company to avoid  
12 hiring all of the employees that they have put  
13 forth that they need, or by cutting outside  
14 services or transferring expenses to capital.

15 It is also imperative that the impacts of each  
16 of the aspects of the company's request not be  
17 considered in a vacuum. Please remember that  
18 customers will not see an itemized bill showing  
19 what you approved and what you disapproved -- or what  
20 you disallowed. All the customers are going to see  
21 is one increased bill. Keep the testimony of Ms.  
22 Patty from the June 29th customer hearing in  
23 Brandon at the forefront of your mind as you  
24 consider the magnitude of PGS's request. Remember  
25 her powerful testimony that now is not the time for

1 a rate increase.

2 The ability of Ms. Patty and many, many other  
3 customers to make ends meet for the foreseeable  
4 future will be impacted by the decisions that this  
5 commission makes in this matter. Customers like  
6 Ms. Patty, and those who are have written in to the  
7 Commission, have been stretched too thin for too  
8 loaning.

9 At the end of the hearing, OPC will ask that  
10 you reduce the company's request to a level that  
11 customers can actually afford. Now is not the time  
12 for the largest rate increase in PGS history.

13 Thank you.

14 CHAIRMAN FAY: Great. Thank you, Ms.  
15 Wessling.

16 Mr. Moyle.

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

18 Again, for the record, Jon Moyle on behalf of  
19 the Florida Industrial Power Users Group.

20 Let me just start with a compliment. I think  
21 that's always a nice way to start a hearing if you  
22 are able to do so, and we are able to do so here on  
23 a number of fronts. And I will start just by  
24 underscoring a point that this will be the first  
25 hearing where we are using a new technology, and

1           your staff has worked very hard on that. I think,  
2           from my perspective, and FIPUG's perspective, it's  
3           a good advancement. We are not having boxes full  
4           of paper, but will be using an electronic process.  
5           There will be some pick hiccups, but that's to be  
6           expected, but I think it's a good move in the right  
7           direction.

8                        I would also like to compliment the parties.  
9           You heard approximately a third of the issues have  
10          been addressed by conversations, discussions  
11          between the parties, so you have a series of  
12          stipulations, both Type 1 stipulations, where a  
13          party like FIPUG has said, we are okay with this.  
14          We affirmatively agree to this, or Type 2  
15          stipulations, where you say, we don't really have a  
16          dog in this fight, an issue here one way or the  
17          other, but we will get out of the way and allow for  
18          a stipulation to take place. So we have a device  
19          we've used Type 1 and Type 2, and one of the first  
20          items you will take up after opening statements is  
21          the stipulations. I believe that is a good  
22          improvement, so I would like to compliment the  
23          parties and your staff for working toward making  
24          the case more streamlined.

25                        We have a number of issues that will be

1 litigated that you have heard about. FIPUG, their  
2 interests, we have number of members who use large  
3 amount of natural gas, so we have intervened in  
4 this case to represent those interests and to  
5 highlight certain issues.

6 You have heard Public Counsel mention some of  
7 the testimony at the hearing about it's a tough  
8 time to increase rates. I think any time a rate  
9 increase is sought, it's incumbent on the  
10 Commission to look closely at what is sought and  
11 balance fairly the interest of the utility with the  
12 interest of the customers. Obviously, the burden  
13 of proof rests on the utility, so they have to come  
14 forward. If they don't provide sufficient  
15 evidence, that's an issue that they should not  
16 prevail on.

17 One of the stipulations, and I will just take  
18 a minute, because you haven't heard much about  
19 this, but I think it bears a conversation, it's set  
20 forth in the prehearing order on positions is the  
21 issue of renewable natural gas. That's something  
22 that has been receiving attention lately. There  
23 was an issue that was in this case related to  
24 renewable natural gas, and the parties were able to  
25 come to an agreement, a stipulation about how that

1           should be handled.

2                   FIPUG is of a view that that type of an  
3           endeavor does not necessarily have to be done in a  
4           regulated context, and took that position, and  
5           maintained that position, we continue to maintain  
6           that position, but we are able to have discussions  
7           with the utility that came to a reasonable  
8           accommodation on that point, so you will not be  
9           hearing about renewable natural gas, but I didn't  
10          want to miss the opportunity to make clear that  
11          point. It did take a lot of time during discovery  
12          but we were able to work something out on that  
13          point.

14                   Florida is a great state. We are a leader in  
15          many things. College football season has just  
16          kicked off, and we always like to have a team that  
17          is a national leader in the college football race.  
18          We are a national leader, aspire to be a national  
19          leader. And tourism, you are always reading about  
20          tourists and how many are coming to our state. We  
21          welcome them. We have great ecosystems with  
22          Everglades and reefs and natural springs, and those  
23          are all things that we take pride in leading.

24                   I would suggest that one thing that we should  
25          not aspire to be a national leader in is the amount

1 of return on equity that utilities achieve, and I  
2 think with the ask of PGS of a double digit ROE,  
3 that, I think, would put PGS up in the national  
4 leader category.

5 So I would ask you to exercise some judgment  
6 and restraint, and not give PGS an 11-percent  
7 midpoint return. That's their ask. And you get  
8 100 basis points on either side, so it could go up  
9 to 12 percent. I think you will hear testimony  
10 about that, that that is an exceedingly high  
11 number, not warranted in this case. And the more  
12 appropriate number, OPC says nine percent. FIPUG  
13 says it should be single digits, and we would  
14 maintain that position. You should have an ROE  
15 that is not a double digit number, but is a single  
16 digit number.

17 There will be some discussion about the number  
18 of FTEs, full-time equivalent positions. PGS is  
19 seeking more positions. They have a slight growth  
20 rate, but I am fond of the saying, everyone should  
21 try to do more with less as the going in  
22 proposition. And you will hear testimony and  
23 evidence about the FTEs and the number of positions  
24 that are required. We would ask you to take a  
25 close look at that, get out a sharp pencil and

1 start slicing through, or marking through some of  
2 the FTEs that are requested. It's an issue that's  
3 approximately \$10 million, and we think there is  
4 some room in there to make adjustments as proposed  
5 by OPC.

6 And then I also just wanted to comment briefly  
7 on what has been referred to as the 2023  
8 restructuring effort, the transactional changes  
9 that have been made with respect to how PGS is  
10 structured.

11 One of the -- one of the big changes that you  
12 will hear about is previously there was a corporate  
13 structure that had both the electric utility in it  
14 and the natural gas company. And that was  
15 restricted now so that the assets of the natural  
16 gas company are isolated from the assets of the  
17 electric company. You will also hear evidence that  
18 the result of that is, is that some debt costs are  
19 higher to consumers.

20 We would say that the company felt that was  
21 the right approach to take for corporate interests  
22 that, to the extent that there is downstream  
23 impacts on ratepayers, like higher interest costs,  
24 those ought not to be passed along, because I  
25 believe the argument is, is that those -- that

1 transaction was done largely for corporate  
2 purposes.

3 There is argument that it might isolate  
4 catastrophic events. There is a counterargument to  
5 that to say, you know, it's okay to have gas and  
6 electric, because if something happens to the  
7 electric, you have the gas benefits to offset it,  
8 and vice-versa.

9 So you will hear a conversation about that  
10 2023 Transaction. There is evidence about, well,  
11 what happens if there is a transaction. If you  
12 have all of the assets and the companies combined,  
13 it's harder to possibly transact with respect to  
14 one item or another.

15 So anyway, that's an issue that has value to  
16 it. It has money associated with it. And  
17 corporations, even regulated monopolies like you  
18 have before you, they are able to do these kind of  
19 things. But it should be something, that if it's  
20 done largely for corporate interest, is borne by  
21 the corporate interest and not by the ratepayers.  
22 So that's another issue that you will hear about,  
23 and we will be asking some questions about that.

24 So, again, thanks for the chance to make some  
25 opening comments, and we look forward to the next

1           few days of testimony. Thank you.

2           CHAIRMAN FAY: Okay. Great. Thank you, Mr.  
3           Moyle.

4           All right. Commissioners, we are going to  
5           move into taking up some of the stipulated issues  
6           before we go into testimony, so staff.

7           MR. THOMPSON: Thank you, Mr. Chair.

8           The parties have proposed in writing a number  
9           of Type 1 stipulations in which all parties are in  
10          agreement, and Type 2 stipulations in which one or  
11          more parties are in agreement and the remaining  
12          parties do not object.

13          There are Type 1 stipulations to the following  
14          issues: 16, 17, 18, 20, 25, 30, 39, 44, 46 and 56.

15          There are Type 2 stipulations to Issues 2, 3,  
16          5, 8, 11, 12, 14, 24, 26, 37, 40, 45, 48 and 66.

17          These proposed stipulations are included on  
18          the CEL as Exhibit Nos. 158 and 159. Attached as  
19          part of Exhibit 158 are revised tariff sheets for  
20          the utility's renewable natural gas service tariff  
21          and renewable natural gas interconnection service  
22          tariff.

23          Finally, also attached to Exhibit 158 are  
24          responses from the utility offering context  
25          regarding these tariffs.

1 CHAIRMAN FAY: Okay. Thank you, Mr. Thompson.  
2 So let's do this. Do the parties have any  
3 additional material on the stipulations as  
4 presented?

5 MR. WAHLEN: No, sir.

6 CHAIRMAN FAY: Okay. Commissioners, do we  
7 have any questions or comments on these before we  
8 take up a motion? I am happy to entertain those.  
9 Seeing none.

10 Mr. Thompson, so just based on the numbers  
11 that you read out, it looked like maybe 5, 11 and  
12 66 were included, so is that taking it up Exhibit  
13 No. 158 is inclusive of those also?

14 MR. THOMPSON: No, Mr. Chair. 158 is  
15 accepting 5, 11 and 66. Exhibit 159 has exhibits  
16 -- or has Issues 5, 11 and 66.

17 CHAIRMAN FAY: Okay. Great.

18 MR. THOMPSON: Those are added at the end.

19 CHAIRMAN FAY: Okay. So then let's take up a  
20 motion for approval of those additional  
21 stipulations at this time.

22 COMMISSIONER CLARK: Move approval, Mr.  
23 Chairman.

24 COMMISSIONER GRAHAM: Second.

25 CHAIRMAN FAY: Okay. We have a motion and a

1 second.

2 All that approve say aye.

3 (Chorus of ayes.)

4 CHAIRMAN FAY: Show those stipulations  
5 entered.

6 All right. Any other issues, Mr. Thompson,  
7 before we move into witness testimony?

8 MR. THOMPSON: Not from staff, Mr. Chair.

9 CHAIRMAN FAY: Okay. All right.

10 MR. REHWINKEL: Mr. Chairman.

11 CHAIRMAN FAY: Yes. Go ahead.

12 MR. REHWINKEL: Charles Rehwinkel with the  
13 Office of Public Counsel.

14 Before you get into witnesses, what I -- would  
15 you entertain me talking about just confidential  
16 exhibits for efficiency?

17 CHAIRMAN FAY: Sure. Just in addition to what  
18 Ms. Wessling mentioned?

19 MR. REHWINKEL: Yes.

20 CHAIRMAN FAY: Yes. Go ahead.

21 MR. REHWINKEL: So yesterday, we received a  
22 request from staff that was relaying the Chairman's  
23 request that we bundle our confidential exhibits so  
24 we can efficiently distribute them, and we agree do  
25 that. We think it's a good idea under the

1           circumstances of this case.

2           So what I would like to explain is how we  
3           would like to do it and see if I can get  
4           concurrence with the Commission -- from the  
5           Commission and with the parties, is at the  
6           appropriate time which could be right now before we  
7           take witnesses up, we have bundled our confidential  
8           exhibits into folders that are organized the same  
9           way, and we have one set of binders that has all  
10          the exhibits in them for the witness.

11          I think we've all seen witnesses sorting  
12          through piles and trying to find an exhibit, so  
13          we've tried to make them where the witness can get  
14          to all the documents in a very organized way.

15          So we would propose to distribute this  
16          confidential information now to the Commissioners,  
17          to the staff, the company and FIPUG in as limited a  
18          fashion as is practical, because some of this  
19          information is designated by PGS and their parent  
20          company as highly confidential, so we want to honor  
21          that.

22          We would propose to distribute them, collect  
23          them back on major breaks, like lunch or an  
24          overnight cessation. We have designated each  
25          Commissioner a specific packet, because in the

1 past, I have noticed Commissioners might have  
2 comments or remarks on them, so we wouldn't want  
3 those to be cross-pollinated, so we want to kind of  
4 isolate the Commissioners specifically, because  
5 we've seen that in the past.

6 We would also ask that every party try to keep  
7 track of their file folder so that they can give it  
8 back to us. They can put their name on it if they  
9 wants, and we will collect it and then redistribute  
10 it.

11 We would ask that because we don't think all  
12 this information is going to be entered into the  
13 record, or even used, but we have to prepare in  
14 case we need it, is it parties, people don't graze  
15 through them. This is sensitive information. We  
16 are trying do something that's efficient. We could  
17 save many, many minutes, probably a couple of  
18 hours, from just distributing back and forth. So  
19 we would like to try this, with your permission to  
20 do it this way, because we think your idea was a  
21 good one.

22 In this case, there is really not a surprise.  
23 Mr. Wahlen mentioned 15 depositions. We've gone  
24 through this information in discovery extensively.  
25 The company is familiar with it, so we are okay

1 with giving this information to them ahead of time.

2 So that's kind of all I had. I thought, you  
3 know, the idea that you put out was a good one, and  
4 we are trying do this kind of on the fly.

5 CHAIRMAN FAY: Sure. I appreciate it. And  
6 understanding that we are in this posture, where we  
7 are implementing Case Center, but then all of  
8 these, you know, exhibits at the same time are  
9 under that confidential, you know, designation,  
10 that it complicates things a little bit.

11 MR. REHWINKEL: Yeah.

12 CHAIRMAN FAY: What you said makes total sense  
13 to me, and I appreciate it. I found in previous  
14 hearings that we will get to a specific witness,  
15 and we will stop and wait for everything to be  
16 passed out, and then it takes a little while get  
17 settled and then we've just lost a lot of time  
18 doing that. So knowing that you have a lot of  
19 those exhibits, I think it makes sense to do that.

20 Also, understand that that's not necessarily  
21 comfortable with you at every occasion, but under  
22 these circumstances, and conversations with  
23 counsel, you feel comfortable doing that, and I  
24 think it makes sense.

25 My initial thought was really for us just to

1           make sure we had them up here available to save  
2           that you trip, but this way you don't have to pass  
3           them out to us and to the other attorneys, and if  
4           you are comfortable with that, then I am not -- I  
5           don't have concerns of anyone sort of grazing, you  
6           know, through them at the time.

7           I also wouldn't just designate witnesses being  
8           a mess. I have lots of folders up here typically,  
9           and so I think, to your point, Commissioners have  
10          exchanged, you know, comments that we would like to  
11          simplify things too. So I appreciate your  
12          thoughtfulness on it. I am perfectly okay moving  
13          forward with it. If the parties are okay with it,  
14          and then let me make sure legal doesn't have any  
15          wish the way it's being presented.

16          Mr. Wahlen, go ahead.

17          MR. WAHLEN: Well, we are perfectly fine with  
18          this. I think if the Commissioners are going to  
19          take notes on their documents, we ought to let the  
20          Commissioners take care of their own confidential  
21          materials and not have the parties pick them back  
22          up unless we can all look at what you are writing,  
23          which probably doesn't help with things. So I am  
24          fine with this, and would be perfectly happy with  
25          the Commissioners to pain maintain control of their

1 own documents for the balance of the proceeding  
2 without picking them back up.

3 CHAIRMAN FAY: Gotcha. Okay.

4 And so let me clarify, there is two ways to go  
5 about it. If we do want to -- and I will disclose,  
6 I think most of the time, those scribblings are not  
7 necessarily mental impressions, or any sort of  
8 highlighted component. But with that said, Mr.  
9 Wahlen, I think OPC has asked to potentially pick  
10 those up in chunks, so we go lunch, we take a break  
11 for the end of the day and then those are picked up  
12 and not necessarily picked up at the end, do you  
13 have any of objection?

14 MR. WAHLEN: No. That's fine.

15 CHAIRMAN FAY: Okay. Great.

16 MR. WAHLEN: Who is picking them up?

17 CHAIRMAN FAY: OPC would be picking them back  
18 up.

19 MR. REHWINKEL: Yeah, our intention, if I  
20 could, is -- I mean, they would be in the folder.  
21 We are not going to go looking for them, but if  
22 there is a better way -- I guess the first thing  
23 was don't write on them and we don't have to worry  
24 about it. But otherwise, I think the Commission  
25 does have some document retention issues to holding

1 confidential information.

2 But we are more than happy for these to be  
3 locked up, because we are not going to go through  
4 them. We just would see, as we are collecting  
5 them, is that people had written on documents in  
6 the past. So just don't want -- I --

7 Mr. Wahlen makes a good point. We don't want  
8 to run afoul of any legal limitation the Commission  
9 has.

10 CHAIRMAN FAY: Yeah. And I think if we are  
11 comfortable, as a commission, that we won't take  
12 notes on those confidential documents, especially  
13 since they are --

14 COMMISSIONER GRAHAM: No writing anything  
15 relevant.

16 CHAIRMAN FAY: Anything period. So I think if  
17 we are all comfortable with that, then -- legal, go  
18 ahead.

19 MS. HELTON: And depending on how much  
20 information we are talking about, we do have a  
21 cabinet over here that where we keep confidential  
22 information that, you know, we could keep it locked  
23 up and that might --

24 MR. REHWINKEL: Great.

25 MS. HELTON: -- if that would be easier for us

1 to facilitate if y'all could help us gather it up  
2 at the appropriate time.

3 CHAIRMAN FAY: I think that might address any  
4 concern then with sort of accidental -- Mr. Wahlen,  
5 does that make sense for you?

6 MR. WAHLEN: I like that. That's very good.

7 CHAIRMAN FAY: Okay. Great.

8 MR. REHWINKEL: And just, I really appreciate  
9 the fact that you understand the sensitivities that  
10 we have, and it's really endearing to know that  
11 that is a consideration.

12 I would put in a plug that, if we can ever get  
13 there, that Case Center should be adapted today put  
14 these documents up there. We won't use that  
15 screen, but we can push them out to the right  
16 people, we love that. I know it's an add-on, but  
17 this is going to be probably an ad for making that  
18 happen.

19 CHAIRMAN FAY: Yeah, I appreciate that. And I  
20 think the hope is we will get there eventually, and  
21 it's just going to take some time to do so. But I  
22 guess seeing how maybe the next few days go, we  
23 will make a determination of, you know, expanding  
24 it in the future, but I appreciate the confidence  
25 in what we are trying to do. And I think at the

1 end of the day, it will be efficiency for anybody.

2 With that, anything from legal? Anything  
3 else? Nope?

4 MR. THOMPSON: Nothing from staff.

5 CHAIRMAN FAY: Okay. Great.

6 MR. WAHLEN: Mr. Chairman, I would like to say  
7 thank you to the staff and the parties for the care  
8 that they have taken with all of our confidential  
9 information. There has been a lot, and they have  
10 all bent over backwards to help us with those, and  
11 we appreciate that very much.

12 CHAIRMAN FAY: Great. Thank you.

13 MR. REHWINKEL: So should we take a break and  
14 disseminate?

15 CHAIRMAN FAY: Yeah. What we will do is --  
16 let's go ahead and take -- we'll take that break,  
17 allow you to disseminate everything, then we will  
18 come back -- Mr. Wahlen, we will swear in all the  
19 witnesses that are here. I believe there is three  
20 that will be participating remotely, so all your  
21 witnesses otherwise are here this afternoon?

22 MR. WAHLEN: That's correct.

23 CHAIRMAN FAY: Okay. Great. We will swear  
24 all of them in, and then we will go into testimony  
25 at that point.

1           Mr. Moyle, yes.

2           MR. MOYLE: Just a point of clarification, if  
3 we could.

4           When you were having the conversation with  
5 staff about the stipulations, I think there were  
6 two exhibits, and you asked a question, are we  
7 talking about both of these exhibits, or one of the  
8 exhibits. And staff said, one of the exhibits, and  
9 then you took the motion, as I understood it, on  
10 one of the exhibits. But I wanted to make sure  
11 that both of the exhibits -- there is two exhibits  
12 that have stipulations, that both of those exhibits  
13 have been accepted. There are stipulated issues on  
14 both of the exhibits that FIPUG cares about. I  
15 just want to make sure the record is clear that  
16 both of those exhibits were accepted as  
17 stipulations.

18           CHAIRMAN FAY: Sure. And I do think we  
19 approved those stipulations as stated, but to your  
20 point, I did reference the one exhibit. So let me  
21 just make sure, Mr. Thompson, if we need to -- if  
22 it needs to be 158 and 159, or what?

23           MR. THOMPSON: Yes. There are stipulations on  
24 both exhibits, so if it -- I don't know if it was  
25 clear on the record or not, we can --

1           CHAIRMAN FAY: Yeah. I think, for clarity  
2 purposes, it included all stipulations, especially  
3 with this clarification, but if we feel otherwise,  
4 Commissioners? No, no objection, then that clarity  
5 is there.

6           MR. MOYLE: This conversation is sufficient,  
7 thank you.

8           CHAIRMAN FAY: Okay. Thank you. I appreciate  
9 it, Mr. Moyle.

10          Okay. All right. With that, we will take the  
11 break to get that confidential exhibits  
12 distributed, and then, Mr. Moyle -- Mr. Rehwinkel,  
13 would about 10 minutes be sufficient for you, 15  
14 minutes?

15          MR. REHWINKEL: I think so. Just in case you  
16 are curious, we have also depositions in red  
17 binders, hopefully we don't have to use them.

18          CHAIRMAN FAY: Okay.

19          MR. REHWINKEL: They contain confidential  
20 information. We would only use them on an ad hoc  
21 basis, so that's not part of what we are trying to  
22 distribute.

23          CHAIRMAN FAY: Okay. Great. Thank you. So  
24 we'll do 15 minutes here to get everything  
25 distributed.

1 Thank you.

2 (Brief recess.)

3 CHAIRMAN FAY: All right. I'm going to just  
4 ask everybody to grab their seats.

5 All right. We will move into witness  
6 testimony. If the witnesses who are here could  
7 please stand and raise your right hand.

8 (Whereupon, witnesses sworn in by Chairman  
9 Fay.)

10 CHAIRMAN FAY: I didn't hear anything. Did  
11 you say yeah? Yes.

12 All right. Let the record reflect that the  
13 witnesses have been sworn in with the exception of  
14 the three witnesses who will be testifying  
15 remotely.

16 All right. You can grab your seats. Thank  
17 you.

18 All right. Just a quick reminder for  
19 witnesses that the testimony -- the summary of the  
20 testimonies is limited to five minutes.

21 We will make you're sure, for questioning  
22 purposes, we've got parties who have been here on  
23 regular occasion, so if you can, witnesses, try to  
24 answer yes or no, and if you provide some  
25 additional clarification to your question, please

1           feel free to do so, but try to do so efficiently.

2                   With that, we will move to, without any other  
3           issues, we will move to Peoples Gas to call your  
4           first witness.

5                   MR. WAHLEN: Thank you, Mr. Chairman.

6                   Peoples Gas calls Helen Wesley to the stand.

7   Whereupon,

8                                   HELEN JUNE WESLEY

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

12                                   EXAMINATION

13   BY MR. WAHLEN:

14           Q     **Ma'am, would you please state your full name**  
15   **for the record?**

16           A     Helen June Wesley.

17           Q     **And you were just sworn in?**

18           A     Yes, sir.

19           Q     **And who is your current employer, and what is**  
20   **your business address?**

21           A     TECO Peoples Gas, and my business address is  
22   702 North Franklin Street, Tampa, Florida, 33602.

23           Q     **Ma'am, did you prepare and cause to be**  
24   **filed --**

25                   **CHAIRMAN FAY: Could you pull your mic up just**

1 a little bit, Ms. Wesley? I just want to make sure  
2 the court reporter has got it. Thank you.

3 MR. WAHLEN: Are we good?

4 THE WITNESS: Yes.

5 CHAIRMAN FAY: Yes.

6 BY MR. WAHLEN:

7 Q Did you prepare and cause to be filed in this  
8 docket on April 4th, 2023, prepared direct testimony  
9 consisting of 48 pages?

10 A I did.

11 Q And did you prepare and cause to be filed in  
12 this docket on July 20th, 2023, prepared rebuttal  
13 testimony consisting of 17 pages?

14 A I did.

15 Q And do you have any additions or corrections  
16 to your prepared direct or rebuttal testimony?

17 A No, I don't.

18 Q If I were to ask you the questions contained  
19 in your prepared direct and rebuttal testimony today,  
20 would your answers be the same as those contained  
21 therein?

22 A Yes, they would.

23 MR. WAHLEN: Mr. Chairman, Peoples requests  
24 that the direct and rebuttal testimony of Helen J.  
25 Wesley be inserted into the record as though

1 record.

2 CHAIRMAN FAY: Okay. Show the direct and  
3 rebuttal inserted as though read.

4 (Whereupon, prefiled direct testimony of Helen  
5 J. Wesley was inserted.)

6

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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  
HELEN J. WESLEY

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

TABLE OF CONTENTS  
PREPARED DIRECT TESTIMONY AND EXHIBIT  
OF  
HELEN J. WESLEY

POSITION, QUALIFICATIONS, PURPOSE.....	1
ABOUT PEOPLES.....	4
IMPORTANCE OF NATURAL GAS.....	16
PEOPLES' LAST GENERAL BASE RATE PROCEEDING.....	18
GROWTH.....	21
CHANGING ENERGY MARKETS.....	29
2023 TRANSACTION.....	35
INCREASE REQUEST AND STEPS TO AVOID SEEKING AN INCREASE.....	40
SUMMARY.....	47
EXHIBIT.....	49

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

1                                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2   **PREPARED DIRECT TESTIMONY**

3   **OF**

4   **HELEN J. WESLEY**

5  
6                   **POSITION, QUALIFICATIONS, PURPOSE**

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

8  
9           **A.**    My name is Helen J. Wesley. My business address is 702 North  
10           Franklin Street, Tampa, Florida 33602. I am employed by  
11           Peoples Gas System, Inc. ("Peoples" or the "company") as its  
12           President and Chief Executive Officer ("CEO"). I am also  
13           President and CEO of the company's affiliates, SeaCoast Gas  
14           Transmission, LLC ("SeaCoast"), its subsidiary, TECO  
15           Partners, Inc. ("TPI"), and Peoples' parent company, TECO Gas  
16           Operations, Inc. SeaCoast is an intrastate natural gas  
17           transmission company and TPI performs marketing services for  
18           Peoples.

19  
20           **Q.**    Please describe your duties and responsibilities for Peoples.

21  
22           **A.**    I have overall responsibility and accountability for all  
23           aspects of Peoples. This includes: operational functions like  
24           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 10<sup>th</sup> 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

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

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

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

25

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.

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1                   (Whereupon, prefiled rebuttal testimony of  
2 Helen J. Wesley was inserted.)

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BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20230023-GU

PETITION FOR RATE INCREASE  
BY PEOPLES GAS SYSTEM, INC.

REBUTTAL TESTIMONY  
OF  
HELEN J. WESLEY

1                                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2   **REBUTTAL TESTIMONY**

3   **OF**

4   **HELEN J. WESLEY**

5  
6   **Q.**   Please state your name and business address.

7  
8   **A.**   My name is Helen J. Wesley. My business address is 702 North  
9       Franklin Street, Tampa, Florida 33602.

10  
11   **Q.**   Are you the same Helen J. Wesley who filed direct testimony  
12       in this proceeding?

13  
14   **A.**   Yes, I am.

15  
16   **Q.**   What are the purposes of your rebuttal testimony?

17  
18   **A.**   My rebuttal testimony provides an overview of the Peoples Gas  
19       System, Inc. ("Peoples" or the "company") position, the  
20       rebuttal testimony presented by other Peoples witnesses and  
21       responds to the criticisms leveled by Mr. Lane Kollen of the  
22       2023 Transaction and other matters on behalf of the Office of  
23       Public Counsel ("OPC"). I will also briefly comment on the  
24       customer complaint information included in the testimony of  
25       Florida Public Service Commission ("FPSC" or "Commission")

1 Staff witness Angela L. Calhoun.

2

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

5

6 **A.** Yes. Exhibit No. HJW-2, entitled "Rebuttal Exhibit of Helen  
7 J. Wesley" was prepared under my direction and supervision  
8 and accompanies my rebuttal testimony. The contents of my  
9 exhibit were derived from the business records of the company  
10 or the records of the Commission and are true and correct to  
11 the best of my information and belief. My rebuttal exhibit  
12 consists of two documents:

13 Document No. 1 FPSC Complaint Comparison - Peoples  
14 Versus FCG and FPUC

15 Document No. 2 Proposed Rate and Bill Comparisons  
16 - Peoples versus FCG and FPUC

17

18 **Other Rebuttal Testimony**

19 **Q.** What other witnesses are presenting rebuttal testimony on  
20 behalf of Peoples in this case?

21

22 **A.** Luke A. Buzard explains why the Commission should approve the  
23 company's three proposed RNG projects on a regulated (above-  
24 the-line) basis.

25

1 Timothy O'Connor and Donna L. Bluestone respond to OPC's  
2 proposed adjustments for employee staffing, contractor  
3 services costs, WAM efficiencies, and payroll trending  
4 factors, and will explain why the Commission should not accept  
5 those adjustments.

6  
7 Christian C. Richard addresses OPC's proposals and comments  
8 on our capital spending, staffing for construction, and  
9 supply chain management team.

10  
11 Dane A. Watson responds to OPC's depreciation proposals.

12  
13 Dylan W. D'Ascendis explains why OPC's recommended mid-point  
14 return on equity should not be approved, and Kenneth D. McOnie  
15 will respond to OPC's proposed equity ratio. Mr. McOnie will  
16 also respond to OPC's criticisms of the 2023 Transaction.

17  
18 Rachel B. Parsons addresses the accounting and ratemaking  
19 adjustments proposed and issues raised by OPC and join Mr.  
20 McOnie and me in defense of the 2023 Transaction.

21  
22 Together, our rebuttal witnesses show that Peoples continues  
23 to provide excellent customer service despite the demands of  
24 significant growth on our system, that the company's  
25 forecasted 2024 expense and rate base amounts are reasonable

1 and prudent, and that the 2023 Transaction was planned and  
2 executed in pursuit of long-term benefits for customers.

3  
4 **2023 Transaction**

5 **Q.** Do you agree with Mr. Kollen's characterization of the motives  
6 behind the 2023 Transaction?

7  
8 **A.** No. His characterizations are unfounded and, quite frankly,  
9 a little disappointing. As noted in the prepared direct  
10 testimony of Karen K. Sparkman, Peoples has a long track  
11 record of providing safe and reliable gas distribution  
12 services in Florida and for many years in a row has been  
13 recognized by JD Power and others as the best or one of the  
14 best, natural gas distribution companies in the southeast and  
15 America. Peoples has only requested base rate increases twice  
16 in 15 years. Peoples maintained our excellent customer  
17 service ratings during the COVID-19 pandemic, a period during  
18 which many utilities' customer service ratings dropped  
19 precipitously.

20  
21 Our strong customer service results are no accident. We are  
22 intensely focused on our customers at all turns. For Mr.  
23 Kollen to suggest or imply that the 2023 Transaction was  
24 designed and timed to harm our customers cannot be reconciled  
25 with the way Peoples operates and has no basis in fact.

1 Peoples considered the interests of multiple stakeholders -  
2 including its customers and the Commission - before moving  
3 forward with the transaction, which was designed to protect  
4 customers from the risks of harm over the long term, and to  
5 allow our customers to benefit from the many intangible  
6 benefits described in my direct testimony. OPC's testimony  
7 acknowledges that the company evaluated this transaction over  
8 the course of many years, an indication of the due  
9 consideration it was given by Peoples and Emera management.

10  
11 **Q.** Why did Peoples plan and execute the 2023 Transaction in the  
12 manner and on the timetable described in your prepared direct  
13 testimony?

14  
15 **A.** As discussed in my prepared direct testimony, Emera began  
16 considering the appropriate legal structure for Peoples  
17 shortly after Emera acquired TECO Energy, Inc. in 2016. Emera  
18 initiated discussions of the potential to legally separate  
19 Tampa Electric Company and Peoples Gas System shortly  
20 thereafter and a thorough evaluation continued until 2022  
21 when the decision was finalized to move forward for the  
22 reasons specified in my prepared direct testimony. The 2023  
23 Transaction: took a long time to plan; required extensive  
24 legal and administrative efforts; took a long time to execute  
25 given multiple, linked, and carefully sequenced steps; and

1 once started, would have been: (1) difficult to stop and (2)  
2 disruptive to many, many stakeholders including customers,  
3 suppliers, and partners. The transaction was executed in the  
4 best long-term interests of customers.

5  
6 **Q.** Was the creation of the company's new supply chain team caused  
7 by or a consequence of the 2023 Transaction, as contended by  
8 Mr. Kollen?

9  
10 **A.** No. The company planned and created its new supply chain team  
11 for reasons independent of the 2023 Transaction. Peoples  
12 began considering the merits and planning for the creation of  
13 its own supply chain team in late 2021. These reasons and the  
14 timing of this activity are explained in Mr. Richard's  
15 rebuttal testimony. The creation of an independent supply  
16 chain team for Peoples would have occurred whether the 2023  
17 Transaction was executed or not for all the beneficial reasons  
18 explained by Mr. Richard. In addition, the creation of this  
19 team has led to lower cost allocations from Tampa Electric  
20 and to lower costs for goods and services, a benefit to  
21 customers. OPC has assumed a causal link between creation of  
22 the Supply Chain Team and the 2023 Transaction but has not  
23 pointed to any evidence proving a link, because none exists.

24  
25 **Q.** Do you agree with witness Kollen's argument that the 2023

1 Transaction caused "additional costs on PGS due to lost  
2 economies of scale that it achieved as a division of Tampa  
3 Electric"?

4  
5 **A.** No, as I explained in my direct testimony, the transaction  
6 did not create the need for any separation of services from  
7 Tampa Electric. Peoples' customers and its team members  
8 continue to benefit from shared services provided by Tampa  
9 Electric in functional areas capable of serving the needs of  
10 both Tampa Electric and Peoples (i.e., Customer Experience,  
11 Information Technology, Legal, etc.). Peoples has established  
12 independent functions (i.e., Supply Chain, Human Resources,  
13 etc.). These efforts were initiated starting in 2020 and were  
14 made in the interest of improving service to customers and  
15 serving the specific needs of Peoples' current operations.  
16 The challenging labor market, the evolving industry, the  
17 unique needs and requirements of Peoples, supply chain  
18 disruptions and the growing customer base all justify the  
19 functional dedication of resources to Peoples to address the  
20 needs of a natural gas distribution company that are different  
21 than those of an electric generation and distribution  
22 company. Our decision to functionally dedicate resources to  
23 improve areas of the business is in the best interest of  
24 customers at both utilities and is being pursued separately  
25 and apart from the legal decision to separate Peoples and

1 Tampa Electric.

2

3 **Q.** Did Emera, Tampa Electric, and Peoples consider other ways to  
4 plan and execute the 2023 Transaction, including options that  
5 would include maintaining the historical borrowing  
6 arrangement between Tampa Electric and Peoples, and  
7 preserving Tampa Electric's allocation of long-term debt to  
8 Peoples?

9

10 **A.** Yes. The companies considered these options, decided that  
11 they were not optimal, and elected to proceed as explained in  
12 my direct testimony. Mr. McOnie more fully discusses this  
13 point in his rebuttal testimony. The 2023 transaction  
14 involved several complex decisions, only one of which was the  
15 ultimate financing status of Peoples, and several of the  
16 implications of these decisions only became clear as the  
17 transaction progressed. In addition, interest rates were  
18 falling and rising during the course of the decision-making  
19 process. Peoples and Emera management focused on the long-  
20 term strategic benefits of the transaction to customers  
21 during this time.

22

23 **Q.** Do you agree with Mr. Kollen's characterization of the role  
24 the company's Internal Revenue Service ("IRS") private letter  
25 ruling ("PLR") played in the planning and execution of the

1 2023 Transaction?

2  
3 **A.** No. Requesting a PLR is a common way for a taxpayer to get  
4 assurances from the IRS that a proposed transaction will not  
5 trigger a tax expense or liability. A PLR does not itself  
6 impose any requirements on a taxpayer. The tax consequences  
7 of a transaction to a taxpayer arise from the Internal Revenue  
8 Code, IRS Regulations, authoritative pronouncements issued by  
9 the IRS, and interpretations of those statutes, regulations,  
10 and authorities by courts and administrative law judges.

11  
12 The PLR Tampa Electric requested and received does not  
13 "require" Tampa Electric and Peoples to do anything, but it  
14 does assure them that the 2023 Transaction will not create a  
15 taxable capital gain or otherwise be considered a taxable  
16 event if the 2023 Transaction is executed as described in the  
17 PLR Request. It was prudent for Tampa Electric to request the  
18 PLR and it will be prudent for Tampa Electric and Peoples to  
19 execute the 2023 Transaction as described in the request.

20  
21 **Q.** Do you believe that the 2023 Transaction will benefit the  
22 customers of PGS?

23  
24 **A.** Yes. The 2023 Transaction was planned and executed in the  
25 long-term best interests of our customers. Peoples serves

1 different parts of Florida than Tampa Electric, offers  
2 different services than Tampa Electric, is growing  
3 differently than Tampa Electric, and faces different market  
4 conditions and risks than Tampa Electric. The time has come  
5 for Peoples to be a separate entity, be governed by its own  
6 board of directors, and, optimally, to access the capital  
7 market to secure the quantum of debt it requires at the rates  
8 appropriate for its own credit metrics.

9  
10 Mr. Kollen correctly notes that we have not identified any  
11 quantifiable, short-term financial benefits from the 2023  
12 Transaction for customers but ignores the many intangible  
13 benefits of the transaction outlined in my prepared direct  
14 testimony. In so doing, he treats the 2023 Transaction like  
15 the purchase of a new piece of equipment, not as a fundamental  
16 decision about the legal form an entity will use to conduct  
17 business and to sequester risk. He also minimizes the  
18 complexity of executing the transaction, the numerous steps  
19 and stakeholders involved to achieve a successful execution  
20 and trivializes the implications to all those stakeholders of  
21 a change in course. Finally, he seems to ignore the context  
22 in which the transaction was carried out - a period following  
23 a global pandemic and during which interest rates were  
24 extremely volatile, tripling in a very short time as the US  
25 government attempted to gain control of a damaged economy.

1 Of course, one of the significant, potential long-term  
2 benefits of the 2023 Transaction to customers will only be  
3 realized if Tampa Electric - our former debt capital provider  
4 - experiences a catastrophic natural disaster (e.g., a major  
5 hurricane hitting Tampa) or a different type of incident that  
6 (a) impairs its ability to provide debt capital to Peoples or  
7 (b) otherwise implicates Peoples' customers in a business  
8 issue not directly related to the provision of service to  
9 Peoples customers. We hope that these kinds of events never  
10 occur but hope by itself is usually not a good strategy.

11  
12 I suppose it is easy for someone who is not responsible for  
13 providing safe and reliable gas service to customers to  
14 discount the risk significance of a catastrophic event, and  
15 the commensurate risk-reduction benefits of the 2023  
16 Transaction, but that is precisely the kind of risk Peoples  
17 faced last year when Hurricane Ian looked like it would hit  
18 the City of Tampa. Utility executives must consider these  
19 kinds of risks; the 2023 Transaction will mitigate these risks  
20 for the ultimate long-term benefit of our customers.

21  
22 **Other**

23 **Q.** Other company witnesses are addressing the specifics of OPC's  
24 accounting and ratemaking proposals. Do you have a general  
25 reaction to OPC's proposals?

1 **A.** Yes, I do. We have enjoyed a good working relationship with  
2 OPC - based on transparency and mutual respect - and will  
3 strive to continue that relationship in the future. However,  
4 I think OPC's proposals, taken as a whole, are unfair,  
5 unreasonable, and fail to acknowledge and credit the company  
6 for certain key and indisputable facts.

7  
8 First, Peoples has a long history of providing outstanding  
9 service to its customers. This history is detailed in the  
10 prepared direct testimony of Karen K. Sparkman, reflected in  
11 the low level of customer complaints presented in the prepared  
12 direct testimony of Staff witness Angela L. Calhoun, and in  
13 the way our customers participated in the Commission's six  
14 customer service hearings. OPC's proposals fail to  
15 acknowledge the importance that having adequate resources  
16 plays in the delivery of the kind of customer service our  
17 customers have come to expect. They also fail to acknowledge  
18 the role safety plays in serving our customers and, in fact,  
19 the general public.

20  
21 Second, the State of Florida, and therefore Peoples, are  
22 experiencing remarkable population and customer growth,  
23 respectively. Mr. Kollen's criticisms that our proposed  
24 staffing increases are "excessive" fail to acknowledge that  
25 population and customer growth means more construction

1 activity in our service areas, which means more work to: (1)  
2 "locate" our underground facilities to enable safe  
3 construction by others; (2) relocate our facilities to  
4 accommodate road and other construction; and (3) install and  
5 establish new services for our customers. It also means more  
6 customer calls to respond to, more meters to read, more pipes  
7 to inspect, a larger system to operate and maintain, and  
8 increased monitoring of a larger and more complex system.

9  
10 Peoples' continuing ability to meet the demands of a growing  
11 Florida while providing excellent customer service depends on  
12 our ability to hire more people to serve our customers and  
13 our State. Mr. Kollen's proposed reductions to our operations  
14 and maintenance ("O&M") expenses fail to recognize these  
15 truths and should be rejected. Indeed, as Mr. O'Connor's  
16 rebuttal testimony will show, overall, we are maintaining or  
17 improving the efficiency of our O&M expense levels across  
18 many of our functional areas. Mr. Garrett's return on equity  
19 and equity ratio proposals fail to recognize the importance  
20 of financial integrity to our ability to continue to attract  
21 the capital we will need to meet future demands of customer  
22 growth. There is no compelling evidence presented to provide  
23 a variance in our capital structure and equity ratio from the  
24 position maintained since 2008.

25

1 Third, Mr. Kollen's staffing proposals are shortsighted from  
2 a safety perspective. Peoples has an excellent safety record,  
3 because it makes safety a priority, and because Peoples  
4 invests in technology and people to promote safety. As  
5 immigration to the state continues at breakneck speed,  
6 relative to other jurisdictions, leading to more and more  
7 construction, this remains mission critical. Mr. Kollen's  
8 staffing proposals would prevent Peoples from recovering the  
9 projected cost of 6 team members who will be hired in the  
10 Safety Operations area to perform specific safety and  
11 compliance related activities, and well as a significant  
12 number of operations personnel who are needed to operate our  
13 system in a safe and reliable manner. His broad-brush  
14 proposals to reduce our proposed staffing levels fail to  
15 acknowledge the importance of safety and the needs of our  
16 growing system. They also fail to appreciate the significant  
17 time, effort and thought Peoples puts into managing its  
18 business on behalf of customers.

19  
20 Finally, I think Mr. Kollen's proposals fail to acknowledge  
21 the importance Peoples places on maintaining fair, just, and  
22 reasonable customer rates. The gas business is different from  
23 the electric business because our customers can choose not to  
24 use our service. We understand how inflation is impacting our  
25 customers at the gas pump, in the grocery store and

1 pharmacies, and in the housing and insurance markets. Peoples  
2 is experiencing those pressures, too. We are keenly aware  
3 that customers never desire a gas rate increase, and we  
4 carefully considered the magnitude of our request before we  
5 filed it. We believe our customers will continue to appreciate  
6 the value our gas services provide in exchange for the price  
7 of the service.

8  
9 **Q.** How do Peoples' FPSC customer complaint statistics compare to  
10 the statistics of the other two large gas local distribution  
11 companies in Florida?

12  
13 **A.** Peoples' complaint levels are far lower than others. Document  
14 No. 1 of my rebuttal exhibit reflects the complaint statistics  
15 reflected in the testimony filed by the FPSC Consumer Affairs  
16 witnesses in this case and the recent Florida City Gas ("FCG")  
17 and Florida Public Utilities Company ("FPUC") rate cases.  
18 Peoples had 0.190, 0.096 and 0.066 customer complaints per  
19 thousand customers in 2020, 2021, and 2022, respectively,  
20 which reflects a reduction over time and is well below FCG  
21 (0.537, 1.608, 1.079) and FPUC (0.163, 0.156, 0.493), during  
22 these same periods. For 2022, Peoples complaint level per  
23 thousand customer was about 13 percent of FPUC's and about 6  
24 percent of FCG's.

25

1 Q. Are the base rates and charges proposed by Peoples in this  
2 case fair, just, and reasonable?

3  
4 A. Yes. I suppose it is easy to lose sight of the goal of this  
5 proceeding, which is to set customer rates that are fair,  
6 just, and reasonable, but at the end of the day, that is what  
7 matters in this case. As shown on Document No. 2 of my  
8 rebuttal exhibit, I have compared our proposed rates in this  
9 case to the customer rates approved by the Commission in the  
10 recent FPUC and FCG rate proceedings.

11  
12 Q. How do they compare?

13  
14 A. Very favorably. Peoples' proposed rates and the typical bills  
15 applying those rates compare favorably with the FPUC and FCG  
16 rate and bill impacts even before any adjustments to our  
17 proposed revenue requirement. Peoples is different than FPUC  
18 and FCG in some ways; however, the fact that our proposed  
19 rates and resulting typical bills compare favorably with  
20 recently approved rates for our peers is a good indication  
21 that the company's cost profile as presented in our testimony  
22 and MFR schedules - which include the impacts of the 2023  
23 Transaction - is reasonable.

24  
25 Q. Does this conclude your rebuttal testimony?

1 **A.** Yes, it does.

2

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1 BY MR. WAHLEN:

2 Q Ms. Wesley, you did also prepare and cause to  
3 be filed with your direct testimony an exhibit marked  
4 HJW-1 consisting of four documents?

5 A Yes.

6 Q And did you prepare and cause to be filed with  
7 your rebuttal testimony an exhibit marked HJW-2  
8 consisting of two documents?

9 A Yes.

10 MR. WAHLEN: Mr. Chairman, Peoples would note  
11 for the record that Exhibits HJW-1 and 2 have  
12 identified on the comprehensive exhibit list as  
13 Exhibit 12 and 26.

14 BY MR. WAHLEN:

15 Q Ms. Wesley, would you please summarize your  
16 prepared direct and rebuttal testimony?

17 A Good afternoon, Commissioners. My direct and  
18 rebuttal testimony describes my pride in Peoples Gas,  
19 our challenges and successes, and how our requested rate  
20 increase helps us continue to provide safe and reliable  
21 service to our 470,000 customers. This is only the  
22 second rate increase in 15 years. I can't name another  
23 service I could say that of. We understand that natural  
24 gas is a choice. We have a vital interest in ensuring  
25 our rates reflect the value of being a Peoples Gas

1 customer.

2 I will reinforce two key areas of my  
3 testimony. How we manage our most important asset, our  
4 team members, and the merits of the 2023 Transaction.  
5 First, our team members.

6 We have experienced significant growth in the  
7 last few years as new Florida homes are built to include  
8 natural gas because of affordability and reliability.  
9 Large commercial and industrial customers also recognize  
10 the value of natural gas for its reliability and  
11 cost-effectiveness. And this growth occurred during a  
12 global pandemic that turned talent markets, supply chain  
13 channels and interest rates upside down, none of which  
14 was forecast during our last rate case. We are very  
15 proud our customer satisfaction scores remain hi and our  
16 safety record strong during this tumultuous time, but it  
17 hasn't been easy. Growth does present challenges.

18 Our system has grown, putting pressure on the  
19 time to respond to gas leaks and resolve locate tickets  
20 driven by the immense amount of construction in the  
21 state. Public safety is at risk if we don't have enough  
22 resources to respond quickly.

23 To cope with the significant increase in work  
24 activity, we have grown more reliant on outside  
25 contractors, and have not been able to develop our

1 future pipeline of future operators. We are working our  
2 team members hard, including extending their on-call  
3 time.

4 There is no ready made workforce in natural  
5 gas in Florida to easily draw on. Our current situation  
6 is not sustainable. As a larger organization, Peoples  
7 Gas must ensure we have the right team, systems and  
8 processes to effectively operate the pipeline system,  
9 oversee construction, work safely and manage our people.

10 It is significant that even with the requested  
11 increases in staffing and contractor support in our test  
12 year, our proposed O&M levels are still reasonable, in  
13 fact, \$13 million below the FPSC benchmark. And our O&M  
14 customer -- O&M per customer is flat.

15 Our proposed O&M levels will enable us to  
16 support our customers, to build our talent pool and to  
17 pay our existing workforce competitively so that we can  
18 retain them. Our customers will benefit from having a  
19 stable, steady and committed workforce, and from reduced  
20 reliance on more expensive outside contractors. And we  
21 will be creating jobs in Florida.

22 And now turning to the 2023 Transaction. I am  
23 confident this transaction was done in the best  
24 long-term interest of customers, and that in the  
25 near-term, customers will see benefits, although hard to

1 quantify in the traditional sense. This transaction was  
2 timed to align with the growth in Peoples Gas.  
3 Customers will benefit, as we are now established enough  
4 to attract a strong independent credit rating. Our  
5 financing costs will be unaffected by other forces.

6           There is no denying the timing of the  
7 transaction will result in a short-term increase in  
8 interest expense because North American interest rates  
9 have risen. But it is also true that customers have  
10 benefited from being financed by the strong credit  
11 rating of Tampa Electric in the past. And as rates fall  
12 in the future, our customers will directly benefit, as  
13 we have flexibility to optimize our debt issuances.

14           As the management of Peoples Gas, we make  
15 decisions every day on behalf of our customers to  
16 benefit them over the long-term, benefits that may be  
17 difficult to quantify in the short-term, whether  
18 investments in safety equipment to discover leaks, or a  
19 new technology to enable faster location of damages.

20           The 2023 Transaction is no different.  
21 Interest expenses are cash expenses to any utility, and  
22 the Florida Public Service Commission supports the  
23 financial integrity of its utilities by allowing their  
24 recovery as part of the ratemaking process.

25           I look forward to further discussing these key

1 topics with the Commission.

2 Thank you.

3 MR. WAHLEN: Ms. Wesley is available for  
4 cross-examination.

5 CHAIRMAN FAY: Okay. Thank you.  
6 Ms. Wessling.

7 MS. WESSLING: Thank you, Mr. Chair.

8 EXAMINATION

9 BY MS. WESSLING:

10 Q And good afternoon, Ms. Wesley.

11 A Good afternoon.

12 Q I just want to take over a few preliminary sort  
13 of rules of the road, but let me know if you have any  
14 questions, or if you want me to elaborate on anything.

15 We are going to be asking a variety of  
16 questions about different subjects, and I believe,  
17 consistent with the prehearing order, if it is a yes or  
18 no question, try to answer the yes or no first; but if  
19 you feel the need to elaborate, then answer after you  
20 first said yes or no.

21 Also, please do make sure to actually  
22 verbalize the words yes or no. I know we've -- you have  
23 been through a number of depositions, and so you are  
24 very familiar with this, but it's hard for the court  
25 reporter sometimes to get the right translation of

1 uh-huhs and uh-uhs, so just try to use yes and no.

2 If I do ask a question that's unclear, please  
3 just let me know, and I will do my best to rephrase it.  
4 And I would just also ask that, since this is the first  
5 time that we are using Case Center, just please bear  
6 with us as we work through this technology. Hopefully  
7 it will go great, but if there are any hiccups, just be  
8 patient with us, okay?

9 A Yes.

10 Q Thank you.

11 All right. Ms. Wesley, sort of getting into  
12 your background just a little bit. You have been with  
13 TECO Peoples Gas since approximately October of 2020?

14 A That's correct.

15 Q And you became the President of TECO Peoples  
16 Gas in December of 2021, is that correct?

17 A Yes.

18 Q And then as of January 31st of this year,  
19 2023, your title changed so that you are both President  
20 and CEO of Peoples Gas?

21 A It was as of January 1st. December 31st is  
22 the end of the year.

23 Q Okay. One of those two?

24 A Yes.

25 Q Okay. It coincided with the 2023 Transaction?

1 A Yes, it did.

2 Q All right. And we will talk about that in  
3 just a second.

4 The purpose of your testimony, as the  
5 President and CEO of the company, was to introduce the  
6 rate increase as well as the various other aspects of  
7 the rate increase, correct?

8 A Yes. Correct.

9 Q All right. And then there is going to be  
10 other witnesses who are going to testify about perhaps  
11 more granular details of certain portions of the  
12 request, but your testimony is the only testimony that  
13 sort of supports all of the aspects of the rate  
14 increase, is that -- do I have that right?

15 A That's fair. Yes.

16 Q Okay. And for every aspect of this requested  
17 rate increase, you had a hand in making -- in approving  
18 whether or not that was going to be included in the rate  
19 request, correct?

20 A Yes. It's a team process.

21 Q But there is nothing in the rate request that  
22 you didn't approve, correct?

23 A I think it's possible there is a document that  
24 was filed here or there that I didn't directly sign off  
25 on, but generally speaking, the proposals, the content

1 of the case, absolutely.

2 Q Okay. All right. And moving to the 2023  
3 Transaction. Throughout the PGS petition and the  
4 testimony and exhibits, and even various statements that  
5 have been made here today, I just want to be clear.  
6 When we talk about the 2023 Transaction, we are talking  
7 about the separation of Peoples Gas System from being a  
8 division of Tampa Electric to it now being an affiliate  
9 of Tampa Electric Company; do I have that correct?

10 A Yes. It's essentially Peoples Gas Systems  
11 moved out as a separate legal entity under TECO Energy  
12 sitting alongside Tampa Electric, as opposed to being  
13 embedded within it.

14 Q And a common type of business term for this  
15 activity is a spinoff, but -- so when we say 2023  
16 Transaction, or spinoff, would you agree that those are  
17 the same thing?

18 A Yes. I mean, we tend to refer to it as a  
19 legal entity restructuring --

20 Q But a spinoff would --

21 A -- or separation, yes.

22 Q -- also apply to what happened, correct?

23 A Yes.

24 Q All right. And as we sit here today, the 2023  
25 Transaction is complete, correct?

1           A     It is indeed.

2           Q     All right.  Going into a little bit of the  
3 history of the relationship between Tampa Electric and  
4 PGS, and correct me if I am wrong, but Tampa Electric  
5 Company acquired PGS in 1997; do I have that right?

6           A     I believe so.  Yes.

7           Q     Okay.  And at that time, in 1997, a separation  
8 of PGS from Tampa Electric was considered, correct?

9           A     I am not aware that it was -- I am not aware,  
10 honestly, of much that happened prior to when Emera  
11 purchased TECO Energy in 2016.

12          Q     All right.  So we will go to Emera then.  
13                 Emera acquired Tampa Electric in 2016,  
14 correct?

15          A     Yes.

16          Q     And at that time, PGS was a division of Tampa  
17 Electric?

18          A     PGS was a very small company within Tampa  
19 Electric.  Yes.

20          Q     Okay.  And in 2016, Emera considered  
21 separating PGS and Tampa Electric at that time, correct?

22          A     As far as I understand, yes.

23          Q     All right.  And for whatever reason, in 2016  
24 they chose not to do so at that time, correct?

25          A     Yes.  And I understand the reason back then

1 would have been the acquisition of TECO Energy by Emera  
2 was a large undertaking, and PGS was still a reasonably  
3 small part of the company overall, and it was deemed to  
4 be prudent to take some time and figure out what the  
5 potential growth of Peoples Gas was and determine future  
6 steps.

7 At that point in time, separating Peoples Gas  
8 from Tampa Electric would have been quite a burden from  
9 a cost perspective in terms of interest rates, and  
10 credit ratings, and things like that, relative to the  
11 size of the company.

12 **Q A lot of those same concerns, though, are also**  
13 **concerns at this time, right? Interest rates and**  
14 **interest ratings, and things like that, those are --**

15 A I don't believe so. I believe that Peoples  
16 Gas is in a -- is a much stronger position, and it's now  
17 the appropriate time for Peoples Gas to have been  
18 separated from Tampa Electric. Peoples Gas is of a size  
19 that it actually is meaningful and material and visible  
20 within Tampa Electric, and commands enough strength to  
21 have its own independent credit rating, and be viewed as  
22 a strong contender in the financial markets, which would  
23 not have been the case back in 2016.

24 **Q You mentioned things like credit ratings and**  
25 **interest rates being -- these are my words -- but**

1 **cost-prohibitive back in 2016 for the separation, right?**

2 A I said that at that point in time, it would  
3 not have been a prudent thing to do in considering  
4 those, and conditions have changed since then.

5 Q **And ultimately, whether or not it was prudent**  
6 **to carry out the 2023 Transaction at this point in time**  
7 **it is a decision for the Commission to make, correct?**

8 A No, I don't believe so.

9 Q **Well, as far as the -- PGS is requesting that**  
10 **various costs associated with the 2023 Transaction be**  
11 **included above-the-line in that customers be required to**  
12 **cover those costs, correct?**

13 A Peoples Gas is requesting that the interest  
14 expenses associated with Peoples Gas are recovered for  
15 ratemaking purposes.

16 Q **And there is more than just interest expenses,**  
17 **correct? There is an analyst position, and credit**  
18 **rating costs, and I believe it will total up to about**  
19 **\$10 million, does that sound accurate?**

20 A I think it's -- it is an -- it's an accurate  
21 number, although, it needs to be broken apart into  
22 ongoing costs and one-time costs, and I think it needs  
23 to be remembered that the whole legal entity  
24 restructuring was conceived of to benefit customers over  
25 the long-term. It was deemed prudent to separate

1 Peoples Gas from Tampa Electric.

2           They are entirely different businesses with  
3 different risk profiles, with different perspectives  
4 from a credit rating perspective. And it was deemed  
5 appropriate to try to separate those two companies so  
6 that customers ultimately benefit from not being harmed  
7 by some kind of catastrophic event affecting one company  
8 and impacting the other.

9           **Q     And when you say it was deemed prudent to take**  
10 **-- to carry out this transaction, you are referring to**  
11 **internal Emera discussions, where it was Emera's**  
12 **decision, or Tampa Electric's decision that it was**  
13 **prudent. The Commission hasn't yet voted on whether or**  
14 **not it was prudent, correct?**

15           A     The Commission wasn't required to approve that  
16 legal entity restructuring.

17           **Q     But those costs that you are referring to that**  
18 **Peoples is seeking from customers, the Commission has to**  
19 **decide whether or not it's prudent for those costs to be**  
20 **passed along to customers, correct?**

21           A     Yes. And I would say the Commission has to  
22 decide that every time there is a ratemaking process in  
23 front of it. And companies that are financing their  
24 operations according to the capital structure that is  
25 determined by the Commission, they have to request the

1 recovery of those interest expense in the normal  
2 ratemaking process, which is just part of normal  
3 procedure for a regulated utility who is required to  
4 fund its capital in a certain way.

5 **Q So in 2019, that's when Emera first decided to**  
6 **take a serious look at splitting PGS from Tampa Electric**  
7 **Company, would you agree?**

8 A 2019 is when a significant amount of diligence  
9 was done to evaluate whether it was the right thing to  
10 do. Yes.

11 **Q And that diligence that you referred to is**  
12 **encapsulated in a memo from June of 2019?**

13 A Yes. That's correct.

14 MS. WESSLING: All right. And this is one of  
15 the confidential exhibits that we would like to  
16 draw everyone's attention to. It's been premarked  
17 as OPC-50C, five, zero, C.

18 CHAIRMAN FAY: Ms. Wessling, too, for -- when  
19 we pull these documents out of here, is there any  
20 particular order -- I mean, are they in order, I  
21 guess?

22 MS. WESSLING: They are in numerical order.

23 CHAIRMAN FAY: Okay.

24 MS. WESSLING: But it's not a consecutive.

25 You know, it doesn't go 1 through 50, but if --

1 let's say Exhibits 1, 7, 10, 9 -- or 19, if they  
2 were -- if those were the confidential ones, they  
3 are in that order.

4 CHAIRMAN FAY: Okay. So then your first one  
5 is the 2020 strategy refresh, is that --

6 MS. WESSLING: No, it would be exhibit -- it's  
7 been premarked as Exhibit OPC-50C.

8 CHAIRMAN FAY: Okay.

9 MS. WESSLING: And it says HW-2019  
10 Memo-Confidential.

11 CHAIRMAN FAY: Going in order, I do not see  
12 that one, but let me -- let me just make sure.  
13 Give us one second, Ms. Wessling.

14 MS. WESSLING: Okay. All right. Is everyone  
15 there?

16 CHAIRMAN FAY: No. Ms. Wessling, just help  
17 us, so --

18 MS. WESSLING: So within the stack of --

19 CHAIRMAN FAY: Is it down in the pile  
20 somewhere, or is it not?

21 MS. WESSLING: It should -- it's about halfway  
22 down, I would say --

23 CHAIRMAN FAY: Okay.

24 MS. WESSLING: -- but, you know, we had to use  
25 the red sheets and everything because of

1 confidential information so --

2 CHAIRMAN FAY: Okay. But otherwise, we should  
3 keep them in order?

4 MS. WESSLING: Yes.

5 CHAIRMAN FAY: So if go down halfway in, they  
6 should be in order?

7 MS. WESSLING: Yes.

8 CHAIRMAN FAY: Okay. And then give us the  
9 title of the exhibit.

10 MS. WESSLING: Sure. So it's OPC-50C-HW-2019  
11 Memo.

12 CHAIRMAN FAY: Okay. We'll see if we can.  
13 Ms. Wessling, are there in any other order  
14 otherwise, so now that we are sort of digging in  
15 middle here to find these?

16 MS. WESSLING: So, like I said, they are -- if  
17 you keep the stack in the right orientation, it  
18 will always be in order, as far as the smallest  
19 number, the bigger numbers.

20 CHAIRMAN FAY: Okay. Got you.

21 MS. WESSLING: It's just not every exhibit was  
22 confidential.

23 CHAIRMAN FAY: No. That's helpful. That gets  
24 us there, right? So I am at 60C, so I got to go  
25 back. 51 -- okay.

1 MS. HELTON: And so just to clarify, that's  
2 going to be marked as Exhibit 160 then?

3 MS. WESSLING: I believe that's the number.

4 CHAIRMAN FAY: Yes.

5 (Whereupon, Exhibit No. 160 was marked for  
6 identification.)

7 MS. WESSLING: And again, this is OPC-50C,  
8 correct? That's what everyone is looking at?

9 CHAIRMAN FAY: Yes. OPC-50C-HW-2019 Memo, is  
10 that correct?

11 MS. WESSLING: Yes.

12 CHAIRMAN FAY: Okay. Great. So then going  
13 forward, to your point, if you just clearly sort of  
14 state the first number, numerical code on this --

15 MS. WESSLING: Sure.

16 CHAIRMAN FAY: -- and then we can all get to  
17 it. And if, Commissioners, if you have any trouble  
18 getting to that document before the line of  
19 questioning, just let me know and we will pause for  
20 a minute and make sure everybody is on the right  
21 exhibit. And that goes for the parties, too.

22 All right. Ms. Wessling, with that, I think  
23 we are in the right posture, then. When you go  
24 forward, you will just give us that number and we  
25 will move into the pile to get to the right

1 number --

2 MS. WESSLING: Yes, Mr. Chair.

3 CHAIRMAN FAY: -- that works.

4 Okay. Go ahead. Ms. Wesley, do you have the  
5 exhibit?

6 THE WITNESS: I do, thank you.

7 CHAIRMAN FAY: Okay. Great.

8 BY MS. WESSLING:

9 Q Ms. Wesley, what you are looking at as what's  
10 now been marked as Exhibit 160, does this reflect the  
11 June 2019 memo that we were just discussing?

12 A It does.

13 Q And without having everyone sit here and  
14 reread the whole thing right now, would you agree that  
15 the memo addresses various risks and benefits to  
16 separating Tampa Electric and Peoples Gas?

17 A It does. It was a memo that was prepared by  
18 legal counsel to the CEO of Emera to outline the reasons  
19 for doing a legal entity restructure, and the various  
20 considerations, timing, administrative aspects of it, et  
21 cetera.

22 Q And again, I am going to try to be as careful  
23 as I can about how I phrase my questions, and just also  
24 try to -- and you were. I am just saying please try to  
25 keep that in mind when you are answering.

1           You would degree with me that nowhere in this  
2 memo is there a reference to the 2023 Transaction being  
3 mandatory, correct?

4           A     That is correct.

5           Q     You would agree with me that the decision to  
6 separate Peoples Gas and Tampa Electric Company was a  
7 discretionary decision?

8           A     Yes, it was discretionary, but I would deem it  
9 was in the long-term interest of customers, and I would  
10 deem it's a best practice of organizations to put  
11 businesses with different risk profiles in different  
12 legal entities.

13          Q     I think you mentioned this earlier, but PGS  
14 did not have to seek approval from the Commission, or  
15 any other regulator, before executing the 2023  
16 Transaction, correct?

17          A     It did not, but as part of our business  
18 management normal practices, we did alert the Commission  
19 to the fact that we were working on this.

20          Q     Once the decision was made to proceed with the  
21 2023 Transaction, PGS's primary consideration for the  
22 restructuring and timing of the 2023 Transaction was  
23 PGS's desire to avoid incurring a capital gain tax of  
24 approximately \$150 million, would you agree?

25          A     I would -- I would not agree. No.

1           **Q     You would not agree that that was a primary**  
2 **consideration of PGS?**

3           A     I heard you to say it was our primary  
4 consideration. I would say it was definitely a  
5 consideration, but not necessarily our primary  
6 consideration.

7           **Q     All right.**

8           MS. WESSLING: May have I one moment, Mr.  
9 Chair?

10          CHAIRMAN FAY: Sure.

11          MS. WESSLING: All right. I think we get our  
12 first taste of Case Center here. If I could ask  
13 that OPC exhibit -- that was premarked as OPC  
14 Exhibit 62 be released?

15          CHAIRMAN FAY: You said 62, Ms. Wessling?

16          MS. WESSLING: Yes, Mr. Chair.

17          MR. WAHLEN: Could I just ask a question?

18          That has a red confidential on it. Are you going  
19 to show an unredacted version of that document?

20          MS. WESSLING: What's up there right now -- I  
21 am trying to read it -- that's just the cover page  
22 for the first -- for Exhibit 160. That's the cover  
23 page for the 2019 memo. There is nothing beyond  
24 that cover page --

25          MR. WAHLEN: Okay.

1 MS. WESSLING: -- uploaded into Case Center.

2 MR. WAHLEN: Okay. Thank you.

3 CHAIRMAN FAY: Yeah, but just for clarity, Ms.  
4 Wessling, so when we reference something we are  
5 going to put up for -- on the screen, the documents  
6 that you are referencing, the other exhibits all  
7 within Case Center are strictly the nonconfidential  
8 dockets.

9 MS. WESSLING: Yes. However, as was discussed  
10 prehearing, there was a desire for OPC to still  
11 upload cover sheets for confidential exhibits, so  
12 that -- I think for ease of tracking exhibits for  
13 the Clerk afterwards, that there would at least be  
14 a cover page that matched what was printed out, so  
15 that they could be sure that the same thing was --  
16 that the same document was being referenced.

17 So if you see a confidential cover page in  
18 Case Center, there is nothing beyond those cover  
19 pages. We just uploaded those to comply with  
20 the --

21 CHAIRMAN FAY: Right. I appreciate you doing  
22 that. I just want to make sure, for purposes of  
23 reassurance for the utility, that it will remain on  
24 that page, and then whatever you reference  
25 confidential, we will do it on these case folders.

1 MR. WAHLEN: Thank you.

2 CHAIRMAN FAY: Okay.

3 MS. WESSLING: And if you want to sort of belt  
4 and suspenders it, we don't need to pull up the  
5 cover pages for any confidential exhibits that I  
6 reference. I will make sure to say that I would  
7 like to discuss a confidential exhibit now, and if  
8 -- I don't know if there is a reference, but there  
9 is no need to put up that cover page.

10 CHAIRMAN FAY: No, I would agree. If it's a  
11 confidential exhibit, it's going to be in front of  
12 us anyway, so it doesn't -- what's up there is  
13 irrelevant --

14 MS. WESSLING: Right.

15 CHAIRMAN FAY: -- so we don't need to do that  
16 if that works. Okay. Great.

17 MS. WESSLING: Thank you.

18 CHAIRMAN FAY: Thank you, Ms. Wessling.

19 MS. WESSLING: And if y'all could just let me  
20 know once it's available. Okay, just let me know.

21 STAFF: We need to refresh.

22 CHAIRMAN FAY: AOL. We can move forward.  
23 Commissioners, are you good to move forward? Okay.

24 STAFF: It's been released. It just hasn't  
25 refreshed yet.

1 MS. WESSLING: Could someone remind me when  
2 it's released which bundle do I click on to be able  
3 to view it? The hearing bundle or --

4 STAFF: Yes.

5 MS. WESSLING: Okay. While we are waiting, we  
6 can -- I believe this will be Exhibit 161.

7 CHAIRMAN FAY: So you are referencing OPC's  
8 original exhibit?

9 MS. WESSLING: No. This is the second  
10 exhibit.

11 CHAIRMAN FAY: Okay. And what's the title of  
12 that?

13 MS. WESSLING: This would be PGS's Response to  
14 OPC's Interrogatory No. 97.

15 CHAIRMAN FAY: And what's it numbered?

16 MS. WESSLING: I believe the next exhibit is  
17 161.

18 CHAIRMAN FAY: No, on your end.

19 MS. WESSLING: Oh, it was -- it was OPC  
20 Exhibit 62.

21 CHAIRMAN FAY: Okay. And just for clarity, if  
22 the witness -- if we are waiting on it to populate,  
23 the witness will still have access to that exhibit  
24 otherwise?

25 THE WITNESS: No.

1 CHAIRMAN FAY: No?

2 MS. WESSLING: I don't believe so.

3 CHAIRMAN FAY: Okay.

4 THE WITNESS: Does anybody have a hard copy of  
5 what we are waiting for?

6 CHAIRMAN FAY: Yeah. If it's not going to --  
7 if we have issues with is it populating, then I  
8 think we can go ahead and probably get you -- or  
9 direct access there on that laptop to where --

10 MS. WESSLING: I don't believe she'll be able  
11 to see it until it's released from the OPC bundle  
12 to the hearing bundle.

13 CHAIRMAN FAY: Because of cross, it hasn't  
14 been officially released. All right.

15 Let's go ahead and take a quick little break  
16 and let IT get this resolved, and then we will be  
17 back. Thank you.

18 (Brief recess.)

19 MS. HELTON: Mr. Chairman, it's popped up now,  
20 and we are in conversations with Case Center to  
21 trying to figure out what happened. This should  
22 never have taken this long. I apologize.

23 CHAIRMAN FAY: Okay. Just real quick, Mary  
24 Anne, does that mean we believe it's functioning,  
25 or are you just saying at this time --

1 MS. HELTON: That means that Exhibit No. OPC  
2 62, which we have marked as Exhibit No. 161, is now  
3 available, and we are looking to see what the  
4 problem is, and hopefully we will be able to remedy  
5 that so we do not experience this again.

6 CHAIRMAN FAY: Okay. And just real quick,  
7 then, can you walk us through the access, so if it  
8 has been released it will populate where in our --

9 MS. HELTON: Okay. So if you -- on your  
10 left-hand side under the hearing bundle, if you go  
11 down to G2, which is the cross-examination  
12 exhibits, the first one there is No. 50, which was  
13 the confidential exhibit that Ms. Wessling, you  
14 know, the cover sheet for that. The next one --  
15 everyone should be able to see then now No. 62,  
16 which is OPC-62, which is OPC IRR 97-Not  
17 Confidential.

18 CHAIRMAN FAY: Yep. Okay. I see that.  
19 Commissioners --

20 MS. HELTON: And if you are not seeing it, if  
21 you do the refresh button at the top little circle  
22 with the arrow.

23 CHAIRMAN FAY: Okay. Then, Ms. Wessling, if  
24 you wouldn't mind, your next cross exhibit, can you  
25 go ahead and release that, and then we -- I assure

1           you we won't review that material at this time, but  
2           just -- yeah, just go ahead and release it so then  
3           we can make sure that we are in that posture.

4           Because if not, then we are going to hard copy and  
5           make sure everybody has it for this afternoon.

6           MS. WESSLING: Well, one of the problems is  
7           that I don't know necessarily which is going to be  
8           my next cross exhibit. I don't necessarily know  
9           what I am going to need to refresh her with when.

10          CHAIRMAN FAY: Yeah. Do you have a short one  
11          that you would feel comfortable releasing that's an  
12          excerpt of already -- of information already  
13          available in the record? I just want to make sure  
14          that it's being released properly so everybody can  
15          view it. That's all.

16          MR. REHWINKEL: Are you just looking for,  
17          like, a test?

18          CHAIRMAN FAY: Yeah.

19          MR. REHWINKEL: Okay. We will find one.

20          CHAIRMAN FAY: Perfect.

21          MR. REHWINKEL: Okay.

22          CHAIRMAN FAY: And then we will just make sure  
23          before we move forward in this path, because if  
24          not, we will make sure we have hard copies and we  
25          will move forward on that.

1 MS. WESSLING: I think we have one that we can  
2 do. This is the customer comments that are already  
3 a part of the record because --

4 CHAIRMAN FAY: Okay.

5 MS. WESSLING: -- y'all already took official  
6 recognition of them, but that would be OPC 58, five  
7 eight, nonconfidential PGS customer comments.

8 CHAIRMAN FAY: Okay. And can we release that  
9 exhibit? All right. And then let's refresh. Go  
10 down, G2. Yeah, I am still only seeing 62, so --

11 Hey, Mary Anne, can I have you approach?

12 Okay. Just for a quick update for everyone,  
13 we are going to try to work on getting the IT  
14 resolved so these can be released. And if not,  
15 then we plan on working with the parties to  
16 potentially distribute hard copies in the  
17 appropriate way and then move forward.

18 So with that, once we figure out if it's  
19 available or not, we will let you know. We will  
20 continue the break, and hopefully the power stays  
21 on.

22 (Brief recess.)

23 CHAIRMAN FAY: All right. If I could get  
24 everyone's attention real quick.

25 So obviously this did not operate the way we

1           wanted to, but in the IT world, these things do  
2           happen. So our plan is that we are going to finish  
3           up for today. We are going to move forward with  
4           our team and working with OPC and the parties to  
5           make sure we have printed copies as we would do in  
6           a normal hearing before this software. Our folks  
7           are going to continue to keep working on this to  
8           see if it is still going to be available, because  
9           even if we don't use it tomorrow, it's going to be  
10          used at some point.

11                 With that said, we will finish up today. I  
12          would like to start at 9:00 a.m. tomorrow. So we  
13          will start a little bit earlier to make sure that  
14          we can have time to go through everything. And if  
15          we have any issues with witnesses or that time, now  
16          is the time to let me know, so PGS?

17                 MR. WAHLEN: Yes. Our two remote witnesses,  
18          Watson and D'Ascendis, are available tomorrow.

19                 CHAIRMAN FAY: Okay.

20                 MR. WAHLEN: We would be open to having them  
21          at nine o'clock tomorrow so we are sure they are  
22          done, and pick up Ms. Wesley afterwards, but I  
23          don't know if that's workable for Public Counsel.  
24          Their cross-examination has been disrupted a little  
25          bit already.

1           CHAIRMAN FAY: Sure. And -- yeah. I guess --  
2           go ahead, Mr. Rehwinkel, and then we will --  
3           because I don't have any issue with sort of  
4           reordering. I mean, I know that we kind of started  
5           down this line a little bit, but for purposes of  
6           restarting at some point, I don't take issue with  
7           that. I just want to make sure there is a purpose  
8           behind it. In other words, if they are available  
9           all tomorrow remotely, then that's -- that's my  
10          understanding. If they are only available sort of  
11          a certain time block, then --

12          MR. WAHLEN: I think they are available all  
13          day --

14          CHAIRMAN FAY: Okay.

15          MR. WAHLEN: -- but I was just thinking it  
16          might make sense to get them out of the way. But  
17          we can take them up in the afternoon in the normal  
18          course if that would be preferable to Public  
19          Counsel.

20          CHAIRMAN FAY: Okay. Go ahead.

21          MR. REHWINKEL: Well, I -- Ms. Wessling may  
22          want to finish the question that was pending. I  
23          don't know. That may make sense, since we have the  
24          exhibit up there, to finish that and then cease for  
25          the day.

1           CHAIRMAN FAY: I don't have an issue with  
2           that, if you want to finish that one question,  
3           because the cross has been released and it's been  
4           reviewed. I mean, that's reasonable. I would say,  
5           like, if it's really necessary then we will do it,  
6           but otherwise, I mean, it doesn't -- if you are  
7           concerned now that that cross is available, and it  
8           would be harmful, then, I mean, you know,  
9           otherwise, I think it makes sense just to reset and  
10          make sure we have all these, she can have it all in  
11          front of her.

12          MR. REHWINKEL: That -- I just wanted to make  
13          sure I didn't step on her toes on that.

14          CHAIRMAN FAY: Sure.

15          MR. REHWINKEL: But Public Counsel, we have a  
16          concern. You know, we prepared, we knew for weeks,  
17          maybe months, that we were going to be the guinea  
18          pigs on this, and we certainly are not surprised  
19          that technology has, you know, you run into issues  
20          with it. We are testing it with a fairly robust  
21          amount of documents, so we hope that the issues get  
22          resolved.

23                 It is our desire, if paper copies are needed,  
24                 to make them. We are willing to do that. What we  
25                 would do is we would make the copies necessary for

1 Ms. Wessling to continue the cross of Ms. Wesley,  
2 and then, you know, while that's being done, have  
3 people work on the remaining exhibits, and take the  
4 opportunity to copy only the ones we know we are  
5 going to need, or think there is a reasonable  
6 opportunity to do so.

7 We felt like when we -- we used the -- in the  
8 mock hearing, we used the system. It was pushing  
9 documents like that. We were good. We felt like  
10 we can make this hearing work in the time allotted  
11 if we had that, even though we had the confidential  
12 documents.

13 Our concern at this point is that we've lost  
14 some time doing this. We had -- we would then have  
15 three days. We have a holiday that starts at  
16 Sunset on Friday. So we don't have the luxury of  
17 going late on Friday. We are concerned about being  
18 able to put our case on in a reasonable pace.  
19 We've lost time with that. I know I am talking and  
20 losing time, but we are trying to find a way to  
21 make this work.

22 We have offered -- the parties have agreed to  
23 put three witnesses, stipulate them in, and the  
24 hangup has been that a discovery deposition that  
25 was taken has to go in -- have I been cut off?

1 COMMISSIONER GRAHAM: Three minutes.

2 MR. REHWINKEL: They said.

3 CHAIRMAN FAY: The point taken that you are  
4 trying to resolve, that it's not resolved, so we  
5 are going to move forward the best we can, and we  
6 are going to get this hearing done in time, so  
7 that's not an option at this point. But if we do  
8 have to go later at times to do that, we will do  
9 that. I don't want to do that, but it's based on  
10 the fact that we lost a few hours this afternoon  
11 because of this scenario. I don't think that makes  
12 the whole hearing sort of unable to be accomplished  
13 at this point.

14 MR. REHWINKEL: Well, we are entitled to be  
15 able to put our case on as we prepared it, not as  
16 it's dictated by outside events that crunch our  
17 time.

18 CHAIRMAN FAY: Yeah. I understand, Mr.  
19 Rehwinkel. But if you approached this hearing with  
20 the idea that IT would work flawlessly, I mean,  
21 that can't be resolved otherwise.

22 We are happy to help you with printing that  
23 needs to be done, organizing that needs to be done,  
24 whatever you feel comfortable with, but, you know,  
25 otherwise we all have to be open to making this

1 work the best that we can.

2 And I understand you are going to keep  
3 working, and there may be some issues resolved that  
4 shorten this. But at this point in time, we are  
5 going to need to move forward.

6 MR. REHWINKEL: And we are fully in favor --  
7 in support of that. My point is, is that there is  
8 time that could be eliminated by three witnesses  
9 going away. The problems we've had here today, I  
10 believe, are going to be compounded by having to do  
11 this remotely. We are going to make it work the  
12 best we can, but we believe the parties have  
13 stipulated -- the litigating parties have  
14 stipulated, and that should have a powerful  
15 presumptive impact on making those witnesses go  
16 away so we can make this hearing -- you know, we  
17 are being asked to sacrifice. The staff is  
18 objecting to this going in without a deposition  
19 that they took going in also, and I believe that  
20 sacrifice should be all around the room, not just  
21 here.

22 So that's my pitch. We will have time to  
23 sleep on it. Hopefully people can consider it. We  
24 will come back tomorrow, we will be fresh and we  
25 will make this work.

1                   CHAIRMAN FAY: Okay. Thank you, Mr.  
2                   Rehwinkel.

3                   Anything from the utility?

4                   MR. WAHLEN: Nothing from Peoples Gas.

5                   CHAIRMAN FAY: Okay. Great. With that, then,  
6                   we will begin tomorrow at 9:00 a.m. Thank you.

7                   (Transcript continues in sequence in Volume  
8                   2.)

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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 15th day of September, 2023.

  
DEBRA R. KRICK  
NOTARY PUBLIC  
COMMISSION #HH31926  
EXPIRES AUGUST 13, 2024