



July 20, 2023

ELECTRONIC FILING

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

Re: Docket No. 20230023-GU; Petition for Rate Increase by Peoples Gas System, Inc.

Docket No. 20220219-GU; Peoples Gas System's Petition for Rate Approval of 2022 Depreciation Study

Docket No. 20220212-GU; Peoples Gas System's Petition for Approval of Depreciation Rate and Subaccount for Renewable Natural Gas Facilities Leased to Others

Dear Mr. Teitzman:

Attached for filing on behalf of Peoples Gas System, Inc. in the above-referenced docket is the Rebuttal Testimony of Helen J. Wesley and Exhibit No. HJW-2.

Thank you for your assistance in connection with this matter.

Sincerely,

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

J. Jeffry Wahlen

JJW/ne

Attachment

cc: All parties of record



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

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

REBUTTAL TESTIMONY

OF

HELEN J. WESLEY

1
2
3
4
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.

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

EXHIBIT

OF

HELEN J. WESLEY

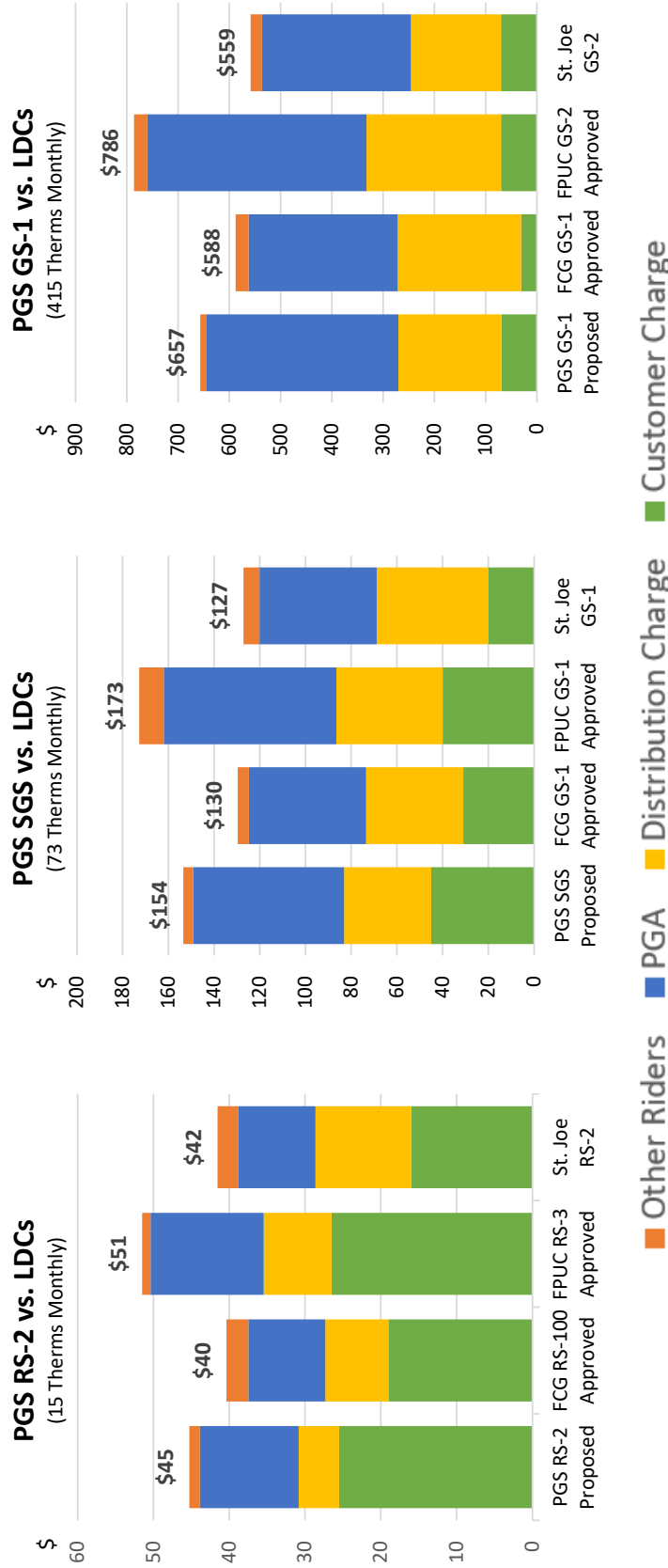
PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20230023-GU
EXHIBIT NO.HJW-2
WITNESS: WESLEY

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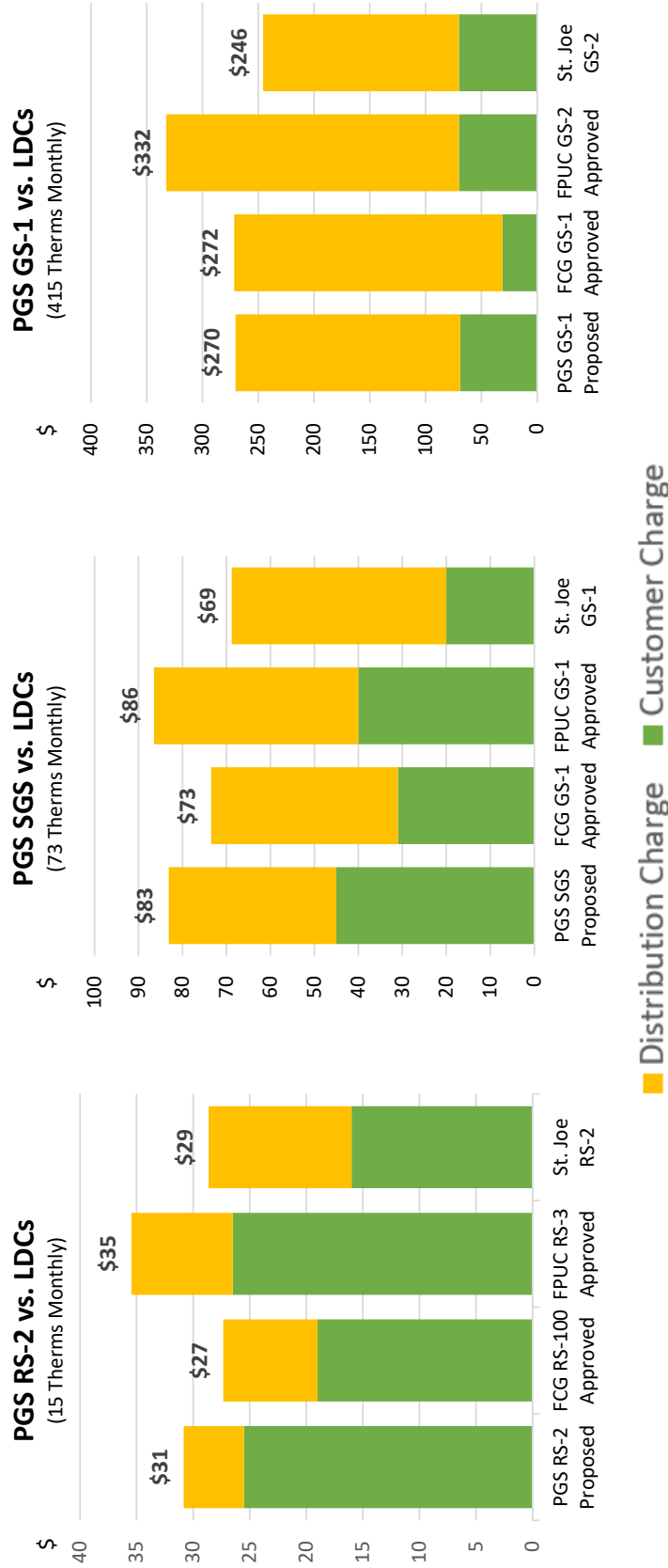
	2020	2021	2022	2023
PGS				
Customers	416,335	436,553	457,339	479,653
Complaints	79	42	30	16
Complaints/1k Customers	0.190	0.096	0.066	0.033
FPUC				
Customers	86,126	89,859	93,396	
All Testimony Complaints	14	14	46	
All Complaints/1k Customers	0.163	0.156	0.483	
FCG				
Customers	115,357	115,690	117,752	
All Testimony Complaints	62	186	127	
All Complaints/1k Customers	0.537	1.608	1.079	

PGS Bill Comparisons



Assumptions:
 Assumes June 2023 Effective Rates for all companies.
 All customers in the comparison are assumed to be PGA paying
RS-2 (100 – 249 Therms Annually), **SGS** (0 – 1,999 Therms Annually), **GS-1** (2,000 – 9,999 Therms Annually).
 PGS Proposed Rates and usages are from the March 2023 Rate Design Model.
 Usage has been rounded to the nearest therm
 Assumes all costs are included except taxes, fees, and competitive rate adjustments.

PGS Base Rate Comparisons



Assumptions:
 Assumes June 2023 Effective Rates for all companies.
RS-2 (100 – 249 Therms Annually), **SGS** (0 – 1,999 Therms Annually), **GS-1** (2,000 – 9,999 Therms Annually).
 PGS Proposed Rates and usages are from the March 2023 Rate Design Model.
 Usage has been rounded to the nearest therm
 Excludes all non-base rate costs.