BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:
In re: DOCKET NO. 20250029-GU

Petition for rate increase by
Peoples Gas & System, Inc.
_____/

VOLUME 2
PAGES 303 - 585

PROCEEDINGS: HEARING

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

DATE: Tuesday, October 7, 2025

TIME: Commenced: 10:00 a.m.
Concluded: 10:30 a.m.

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

REPORTED BY: DEBRA R. KRICK
Court Reporter and
Notary Public in and for
the State of Florida at Large

APPEARANCES: (As heretofore noted.)

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(Transcript follows in sequence from Volume 1.)

(Whereupon, prefiled direct testimony of Eric Fox was inserted.)

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20250029-GU

IN RE: PETITION FOR RATE INCREASE

BY PEOPLES GAS SYSTEM, INC.

PREPARED DIRECT TESTIMONY AND EXHIBIT

OF

ERIC FOX

ON BEHALF OF

PEOPLES GAS SYSTEM, INC.

DOCKET NO. 20250029-GU
WITNESS: FOX

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

ERIC FOX

ON BEHALF OF PEOPLES GAS SYSTEM, INC.

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

A. My name is Eric Fox. My business address is 20 Park Plaza, Suite 428, Boston, Massachusetts 02116. I am employed by Itron, Inc.

Q. Please describe your duties and responsibilities in that position.

A. I am Director, Forecast Solutions, where I am responsible for supporting utilities, independent system operators ("ISOs"), and transmission companies' sales and energy forecasting requirements. My work includes developing budget and long-term energy forecasts, providing forecast and modeling training, supporting Itron's Energy Forecasting Group ("EFG"), providing regulatory support, and managing Itron's forecasting consulting team.

Q. Please provide a brief outline of your educational

background, work, and regulatory experience.

A. I received my Master of Arts in Economics from San Diego State University in 1984 and my Bachelor of Arts in Economics from San Diego State University in 1981. While attending graduate school, I worked for Regional Economic Research, Inc. ("RER") as an SAS programmer. After graduating, I worked as an Analyst in the Forecasting department of San Diego Gas & Electric. I was later promoted to Senior Analyst in the Rate department. I also taught statistics in the Economics department of San Diego State University on a part-time basis.

In 1986, I was employed by RER as a Senior Analyst. I worked at RER for three years before moving to Boston and taking a position with New England Electric as a Senior Analyst in the Forecasting Group. I was later promoted to Manager of Load Research. In 1994, I left New England Electric to open the Boston office for RER, which was acquired by Itron in 2002.

Over the last 30 years, I have provided support for a wide range of utility operations and planning requirements, including forecasting, load research, weather normalization, rate design, financial analysis, and conservation and load management program evaluation. Clients include traditional integrated utilities, distribution companies, ISOs,

generation and power trading companies, and energy retailers. I have presented various forecasting and energy analysis topics at numerous forecasting conferences and forums. I also direct electric and gas forecasting workshops that focus on estimating econometric models and using statistical-based models for monthly sales and customer forecasting, weather normalization, and calculation of billed and unbilled sales. Over the last twenty years, I have provided forecast training to several hundred analysts from utilities and other industries.

In the area of forecasting, I have implemented and directed numerous forecasts to support utility financial planning and long-term resource planning. Recent works include developing and supporting an energy and demand forecast for AES Indiana's Integrated Resource Plan ("IRP"), developing a set of recommendations for improving the PJM system long-term load forecast, conducting commercial end-use analysis for the New York ISO, and assessing temperature trends and incorporating these trends in normalizing historical test-year sales for Sierra Pacific.

I provided direct testimony as part of both rate and resource planning filings. My previous testimony includes supporting sales weather normalization for historical rate case test

years and forecasts for rate case future test years and long-term resource planning. Further details of my work and regulatory experience are included in Document No. 2 of my Exhibit No. EF-1.

Q. Have you provided testimony before the Florida Public Service Commission ("Commission")?

A. Yes. I provided testimony supporting the long-term forecast in Orlando Utilities Commission's ("OUC") 2006 determination of need for the Stanton Energy Center (Docket 20060155-EM), and review and assessment of Tampa Electric Company's 2013 base rate proceeding, (Docket 20130040-EI). I also provided testimony supporting the gas forecast in Peoples Gas System, Inc.'s 2023 rate filing (Docket 20230023-GU).

Q. What are the purposes of your prepared direct testimony in this proceeding?

A. The purposes of my prepared direct testimony are to:

1. Support Peoples Gas Company, Inc.'s ("Peoples" or the "company") 2026 Test Year Residential and Small Commercial load forecast;
2. Address the change from 20-year normal to 10-year normal

weather; and

3. Discuss the performance of Peoples' 2023 rate case forecast.

Q. Did you prepare any exhibits in support of your prepared direct testimony?

A. Yes. Exhibit EF-1 was prepared under my direction and supervision. My exhibit consists of six documents entitled:

Document No. 1	List Of Minimum Filing Requirement Schedules Co-Sponsored by Eric Fox
Document No. 2	Resume - Work and Regulatory Experience
Document No. 3	Overview of the SAE Forecast Model
Document No. 4	Heating Degree Day by Division
Document No. 5	Heating Degree Trend Models by Division
Document No. 6	Temperature Base by Division

Q. Did Itron complete the Peoples' load forecast that it used in preparing the 2026 rate case budget (or "2026 Budget")?

A. No. Peoples' forecasting staff completed the 2026 Budget and the company asked me to review the forecast models and to evaluate the results of their current load forecast for reasonableness.

Q. Have you reviewed the company's 2026 Budget?

A. Yes. I reviewed the forecast models, forecast drivers, and results. The forecast models are based on a theoretically sound framework, are statistically strong, and given expected economic projections and end-use efficiency trends, provide a reasonable load forecast for determining the 2026 Budget revenues.

Q. Please describe and summarize the results of the 2026 Budget forecast completed by the company in November 2024.

A. The company has 14 service areas: (1) Miami, (2) Tampa, (3) St. Petersburg, (4) Orlando, (5) Eustis, (6) Jacksonville, (7) Lakeland, (8) Daytona, (9) Avon Park, (10) Sarasota, (11) Jupiter, (12) Panama City, (13) Ocala, and (14) Fort Myers. Separate forecasts are developed for each customer class (Residential and Small Commercial) within each of the service areas. The 2026 Budget forecast is summarized in Table 1 which shows actual therm consumption (sales) and customers through 2026 with the forecast beginning in 2025.

Table 1: 2026 Test-Year Forecast

Residential					
Year	Sales (Therms)	Customers	Avg Use (Therms)	EOY Customers	New Customers
2019	85,073,881	361,488	235.34	368,014	
2020	89,543,002	378,583	236.52	388,063	20,049
2021	100,985,239	398,211	253.60	406,599	18,536
2022	99,041,781	418,216	236.82	428,538	21,939
2023	99,033,760	440,009	225.07	449,443	20,905
2024	107,339,852	459,482	233.61	468,258	18,815
2025	110,221,131	478,101	230.54	486,429	18,171
2026	114,247,532	495,984	230.35	504,071	17,642

Small Commercial					
Year	Sales (Therms)	Customers	Avg Use (Therms)	EOY Customers	New Customers
2019	304,290,965	35,563	8,556.5	35,982	
2020	265,456,163	36,223	7,328.4	36,373	391
2021	298,526,148	36,809	8,110.3	37,203	830
2022	302,872,408	37,589	8,057.5	37,889	686
2023	302,999,855	38,352	7,900.5	38,766	877
2024	311,533,344	39,154	7,956.7	39,460	694
2025	310,646,438	39,837	7,798.0	40,156	696
2026	316,654,163	40,534	7,812.0	40,854	698

The following rate classes are not included in Table 1 above: RS-SG, RS-GHP, CS-SG, CS-GHP, CSLS.

Q. Please explain how the forecast is derived.

A. The Residential and Small Commercial load forecasts are based on separate customer and average use forecasts. Forecast models are estimated at the aggregated Residential and Small Commercial customer class level. Total sales are derived as the product of the customer and average use forecast.

Q. What rate classes are forecasted within the Statistically

Adjusted End-Use ("SAE") models?

The SAE models are used to forecast a subset of the Residential rate classes, which are impacted by weather trends and end-use efficiencies. This includes the following ten rate classes: (1) Residential-1 (RS1), (2) Residential-2 (RS2), (3) Residential-3 (RS3) (4)Residential General Service 1 (RG1), (5) Residential General Service 2 (RG2), (6) Residential General Service 3 (RG3), (7) Residential Transportation General Service 1 (RT1), (8) Residential Transportation General Service 2 (RT2), (9) Residential Transportation General Service 3 (RT3) and (10) Residential Standby Generator (RSG).

The SAE models are used to forecast a subset of the Small Commercial rate classes (discussed in Peoples witness Luke Buzard's prepared direct testimony), which are impacted by weather trends and end-use efficiencies. This includes the following 8 rate classes: Small General Service (SGS), (2) Small General Service Transportation (SGT), (3) General Service 1 (GS1), (4) General Service 2 (GS2), (5) General Service 3 (GS3), (6) General Service-1 Transportation (GT1), (7) General Service-2 Transportation (GT2), and (8) General Service-3 Transportation (GT3).

Q. How was the customer forecast developed?

A. Both Residential and Small Commercial customer forecasts are developed using exogenous adjustments based on anticipated future growth expectations. This is discussed in witness Buzard's testimony. Regression-based customer models that relate historical customer counts to Woods & Poole regional household (Residential) and employment (Small Commercial) projections are used in providing guidance on expected customer trend forecasts. These trends serve as a basis for discussion with Peoples development team.

Q. Please describe how the average use models for Residential and Small Commercial were developed.

A. Average use models are estimated for both Residential and Small Commercial classes. Models are estimated with what is known as a SAE model. The SAE model is an end-use framework that relates monthly average use to economic growth, weather, price, and end-use efficiency improvements. Models are estimated using a SAE specification. The SAE model combines economic and expected (or normal) winter weather conditions with gas end-use intensity trends to construct monthly heating (XHeat) and base use (XOther) which includes cooking, laundry drying, water heating and other end-use model

variables. XHeat and XOther include structural drivers (end-use efficiency and saturation trends) as well as variables that capture short-term and long-term monthly utilization (heating degree-days, "HDD"), number of days in the billing period, price, household size and income in the Residential model, and employment and gross state product in the Small Commercial model. These variables are then used in estimating monthly average use gas models. The modeling approach is described in Document No. 3 of my exhibit.

Q. Have these models been used in other regulatory proceedings?

A. Yes. The SAE modeling approach, developed by Itron about 20 years ago, is well established and is used by utilities across North America, including Tampa Electric Company, OUC, and Lakeland Electric. It has been approved by regulators in numerous jurisdictions for both rate cases, capacity need filings, and integrated resource plans. PJM Interconnection and New York ISO also use these models for developing long-term system demand forecasts.

Q. Did Peoples use these SAE models in preparation of the 2026 Budget?

A. Yes. The SAE models employed by Peoples' for the 2026 Budget

Year forecast were originally developed by my team for the 2023 rate case. The company's forecasting staff continues to use SAE models in updating sales forecasts.

Q. What data is used in estimating the forecast models?

A. The monthly average use models are based on billed sales and customer data from January 2015 through October 2024. Winter weather conditions that drive heating requirements are captured in HDD variables that are calculated from historical temperature data from each of the planning divisions. The economic drivers are from Moody's Analytics June 2023 state forecast, and the end-use intensities and price forecasts are based on the Energy Information Administration ("EIA") 2023 projections for the South Atlantic Census Division. Further details on HDD and economic drivers will be provided later in my testimony.

Q. How does the economic forecast impact the Small Commercial load forecast?

A. The economic drivers impact usage through the constructed model variables described in Document 3 of my exhibit. The economic index used in the average use models combines gross state product ("GSP") and employment with more weight on

employment. GSP has a twenty percent weight and employment an eighty percent weight. The weights were determined by evaluating the out of sample statistics for different weight combinations.

Q. What led to the drop in Small Commercial average use from 2024 to 2025?

A. There are 3 contributing factors.

First, both colder-than-average weather in January, February, and December and a robust tourism season in the second quarter of 2024 increased actual therm consumption for 2024. The 2025 forecast is based on 10-year normal weather and typical levels of tourism.

Next, economic growth is expected to slow in 2025. Moody's Analytics December 2024 forecast shows GSP increased 3.7 percent in 2024 with employment growth of 1.4 percent. 2025 GSP growth is projected to slow to 3.2 percent annual rate and employment growth slows to 1.0 percent annual growth.

Finally, a decline in the number of billing days in 2025 impacted average use. In 2024, the company had an elevated number of billing days (368.4 billing days) because of the

additional leap-year day in February and adjustments to the meter read schedule to account for both late 2023 and January 2024 holidays.

Q. How does the economic forecast impact the Residential load forecast?

The primary economic driver in the residential model is real average household income which is expected to increase to 1.3 percent in 2025 and 1.4 percent in 2026. Household income impacts average use through the constructed heating and base use variables.

Q. What factors led to Residential average use decline from 2024 to 2025?

A. Residential average use declines from 2024 to 2025 for three reasons.

First, actual therm consumption for 2024 accounts for colder-than-average weather encountered in January, February, and December. The 2025 forecast is based on 10-year normal weather patterns.

Next, 2025 Residential average use is also impacted by the

decline in the number of billing days. The number of billing days in 2024 was elevated (368.4 billing days) because of the additional leap-year day in February and adjustments to the meter read schedule to account for the late 2023 and January holidays.

Finally, end-use gas efficiencies are improving at a rate slightly exceeding the positive gains from household income growth, resulting in a consequent decrease in average usage.

Q. How do the gas intensity projections impact usage?

A. As discussed in Document 3 of my exhibit, gas end-use intensities are derived from the EIA 2023 Annual Energy Outlook. This is the latest forecast as the EIA did not release a forecast in 2024. EIA develops end-use saturation and average stock efficiency projections for 9 census divisions including the Southeast Census Division which is the basis for the constructed Peoples Residential and Small Commercial model variables. The primary gas end-uses are heating, water heating, cooking, and laundry drying.

Residential gas intensities are expressed in therms per household and Small Commercial gas intensities are expressed in therms per square foot. While in general, there have been

strong energy efficiency improvements across all the gas end-uses, the rate of end-use efficiency improvements for the nonweather sensitive end-uses (cooking, laundry drying, miscellaneous) has flattened out. This is true for both Residential and Small Commercial sectors, as there are still over 1.0 percent annual efficiency gains in gas heating. But as space heating is a much smaller share of state gas consumption than even the Southeast region, heating efficiency improvements have a much smaller impact on Florida gas usage.

Q. How did the company's 2023 rate-case forecast perform?

A. While the models are extremely reliable, the forecast models estimated with data through July 2022, overestimated average use (both Residential and Small Commercial) and underestimated Residential customer growth.

Q. What factors led to the overestimated Residential average use?

A. The principal cause of the overestimation is that the average use models utilized in the 2023 rate case are predicated on 20-year normal weather conditions. Actual customer usage, however, corresponds more accurately with what would be

expected under 10-year average weather conditions.

Q. What factors led to the overestimated Small Commercial average use?

A. There are two main reasons for the overestimated Small Commercial average use: (1) the average usage models for Small Commercial used in the 2023 rate case are based on 20-year normal weather conditions, while actual customer usage corresponds more closely to expectations under 10-year normal weather conditions, and (2) the usage per customer has stabilized below pre-COVID levels.

The 2023 rate case models were developed using data up to July 2022, incorporating a COVID impact variable. This variable was based on Google Mobility data that tracked cell phone activity near workplaces. The company expected Small Commercial usage to revert to pre-COVID usage levels, however, the usage stabilized below these levels. On an aggregate basis, Small Commercial average use has leveled off at roughly 8,000 therms. As illustrated in Figure 1, actual average therm consumption (solid line) is lower than the forecasted value from the 2023 rate case (dashed line).

Figure 1: Actual Vs 2023 Forecast

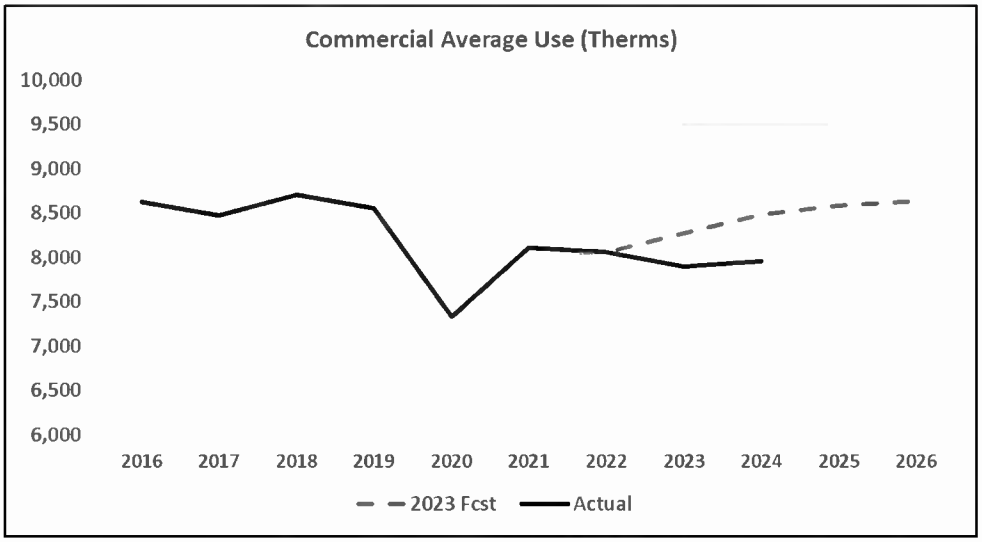


Figure 1 shows actual commercial use (the solid line) and the 2023 forecasted average use (the dotted line). Actual use stabilizes around 8,000 therms compared with the 2023 forecast for 2024 of close to 8,500 therms.

Q. What factors led to the underestimated Residential customer growth?

A. The 2023 forecast models were based on regression models that related the number of customers to regional household projections. While the models statistically explain the long-term trend well, they do not have explanatory variables that capture known construction activity and market conditions. This is discussed further in the direct testimony of witness Buzard.

Q. What enhancements have been made to the 2026 Budget models?

A. There were 3 primary changes that should improve the forecast accuracy.

First, while the statistical models have proven highly reliable, the company identified exogenous adjustments that were necessary to meet anticipated future growth expectations within specific Residential service areas. This is further discussed in the direct testimony of witness Buzard.

Next, the company updated the Small Commercial average use model by maintaining the COVID variable at a constant level starting from October 2022 (the last month the mobility data was available). The GSP and employment forecasts account for the average use trend after that point. Simply updating the sales data through October 2024 helped to calibrate average use to post-COVID usage levels.

Finally, to bring the Residential and Small Commercial average use forecast more in line with actual customer usage levels, the forecast models are now based on a 10-year normal instead of 20-year normal HDD.

Q. What are heating degree days ("HDD") and how are they captured

within the forecast models?

A. The primary weather variable used in modeling gas consumption are the number of HDD. HDD measures the difference between a temperature reference point and average temperature. As temperatures decline, the number of HDD increases. HDD are known as a spline variable as they take on a positive value when temperatures are below a temperature reference point and are 0 otherwise.

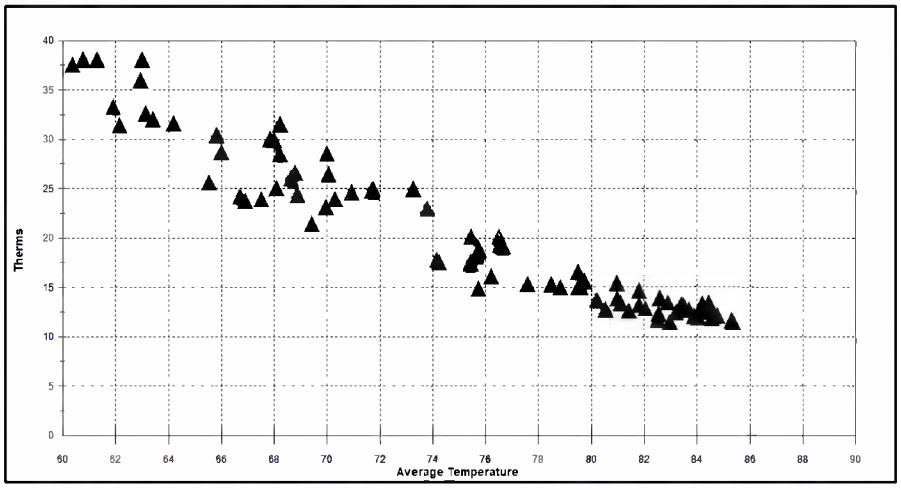
National Oceanic and Atmospheric Administration ("NOAA") reports HDD with a 65-degree reference point. Using this reference point, a day where the average temperature is 60 degrees would have an HDD value of 5 (65 degrees - 60 degrees). If the temperature is 66 degrees, then HDD is 0. HDD are calculated on a daily basis and then summed over the month. Monthly HDDs are used in modeling gas usage as there is a strong correlation between the number of HDD and consumption.

Q. Do all of the company's service areas use 65 degrees as a reference point?

A. No. The reference temperature varies across the service areas as heating-related loads appear to start at a higher

temperature point. The appropriate temperature breakpoint is based on both the usage/weather scatter plot and evaluating the model fit statistics for different temperature break points. As an example, Figure 2 shows the temperature/average use relationship for Orlando.

Figure 2: Orlando Monthly Avg Use vs Avg Temperature



In Orlando, the best model fit is with HDD with a 75-degree temperature base. Division temperature/average use scatter plots and selected temperature breakpoints are included in Document 6 of my exhibit.

Q. How are billing-month HDD derived?

A. Billing month (or cycle weighted) HDD are constructed to correspond with the billing month period. There are twenty-

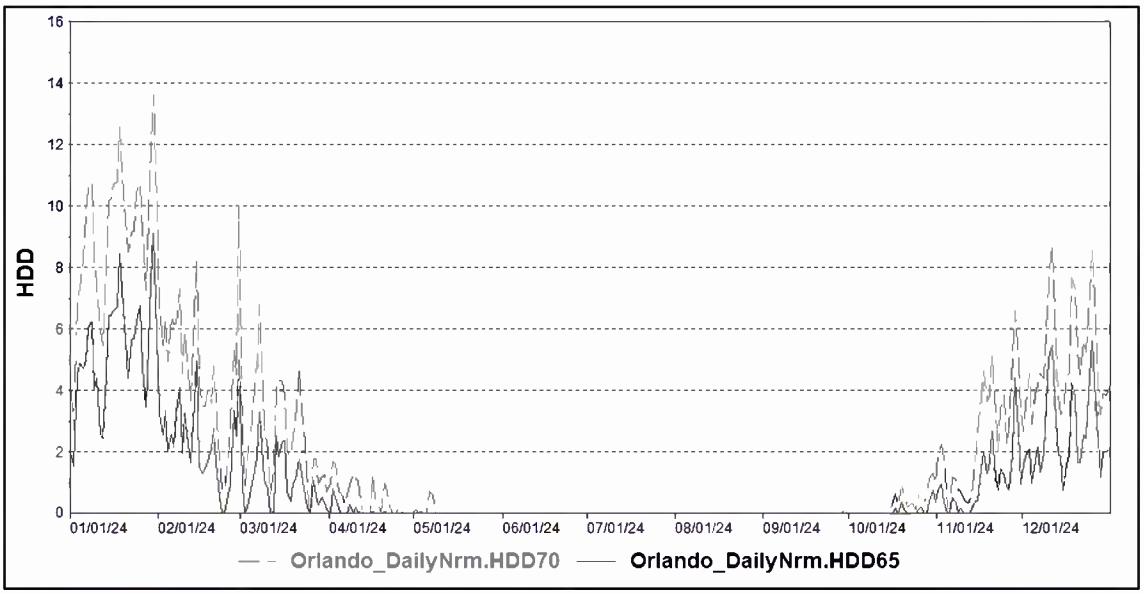
one billing cycles, each with a start and end-date that overlap calendar months and each other. Each day is assigned a weight based on the number of meter-read schedules that include that day. The weight is calculated by taking the number of billing cycles that include the day (i.e. that are "on") and dividing it by twenty-one, which is the total number of billing cycles. For example, if a day at the beginning of January is included in 4 of the February billing cycles, that day has a February billing weight of 0.19048 (4/21). A day at the end of January that may be in all February cycle read dates has a weight of 1 (21/21). The daily weights are multiplied by the daily HDD and then summed over the billing period. Normal billing month HDD are calculated the same way. The daily normal degree days are combined with the daily cycle weights and summed over the billing period.

Q. How are daily normal HDD derived?

A. Normal daily HDD are calculated by averaging daily HDD for a defined time period. For the 2026 Budget, the 10-year normal period is 2014 to 2023. A daily normal is calculated for each calendar day by averaging all the HDD for that day. For example, the daily normal HDD for January 1st is calculated by averaging all the prior year January 1st HDD; for a 10-year normal that would be an average of the January 1st HDD

from 2014 to 2023 (ten observations). An average HDD is calculated for each calendar day. Figure 3 shows the Orlando daily normal (2014 to 2023) HDD65 and HDD70.

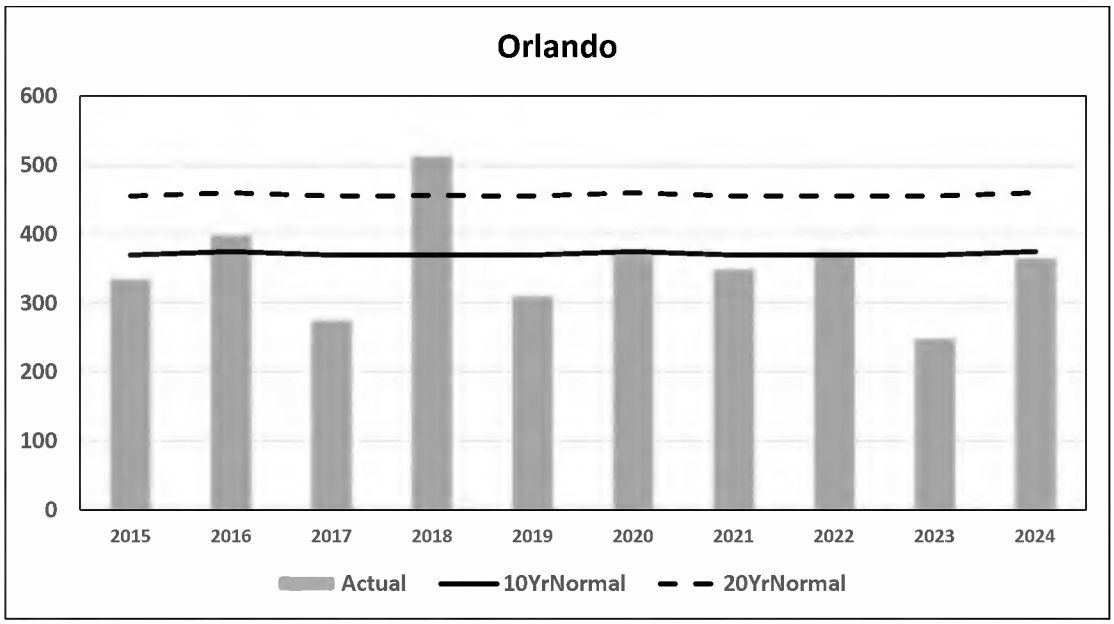
Figure 3: Orlando Daily Normal HDD65 and HDD70



Q. Do you support using 10-year normal HDD rather than 20-year HDD?

A. Yes. The 10-year normal HDD more accurately reflects current weather conditions. This is illustrated in Figure 4.

Figure 4: Actual vs 10 Yr and 20 Yr Normal HDD65



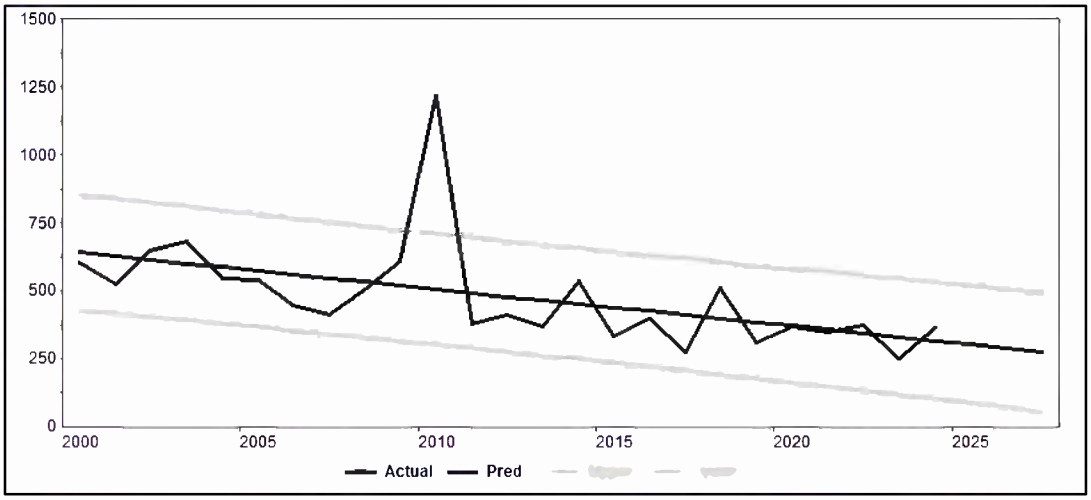
The bars show actual HDD with a 65-degree temperature base for Orlando. The solid line shows the 10-year normal HDD and the dotted line the 20-year normal HDD. Over the past decade, only 1-year (2018) exhibited HDD values surpassing the 20-year average. The graph indicates that the 10-year normal best represents current heating conditions in Orlando, which is also true across all divisions. Document 4 of my exhibit shows the remaining divisions.

Q. Do you believe that 10-year normal HDD will continue to track usage better than 20-year normal HDD?

A. Yes. The data indicates that HDD has been declining as a result of warming winter weather temperatures. Figure 5 shows

the result of a simple trend model of Orlando annual HDD.

Figure 5: Orlando HDD Trend



The trend model is estimated with annual HDD data from 2000 through 2024 and the predicted line shows the HDD trend. The trend variable is statistically significant and indicates that HDD are declining on average 13.5 HDD per year. The expected number of HDD declines from 641 in 2000 to 316 in 2024. The 95 percent confidence range (depicted as the outer light grey lines) is 102 to 530 HDD in 2024 compared with a 95 percent confidence interval of 426 to 641 HDD in 2000. The same trend can be seen across all divisions, which is illustrated in Document 5 of my exhibit.

Q. Please summarize your testimony.

A. The 2026 Budget is based on a strong theoretical framework that relates customer usage to heating and base-use gas requirements. The model, known as an SAE model, is used by electric and gas utilities across North America and has been accepted as a reasonable forecasting approach by state Commissions and other regulatory agencies across the country.

While the average use model structure is sound, the forecast proved to be too high. Peoples' forecasting staff were able to enhance the forecast by replacing 20-year normal HDD with 10-year normal HDD and calibrating Small Commercial average use to "new normal" post-COVID usage levels. The 2023 rate case Residential customer models based on regional household projections underestimated customer growth. In the 2026 Budget, the company enhanced its outlook by incorporating exogenous adjustments to account for anticipated future growth expectations. Combined, these enhancements provide a reasonable forecast for revenue projects.

Q. Does this conclude your prepared direct testimony?

A. Yes.

(Whereupon, prefiled direct testimony of Andrew Nichols was inserted.)

TECO PEOPLES GAS
AN EMERA COMPANY

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20250029-GU

IN RE: PETITION FOR RATE INCREASE

BY PEOPLES GAS SYSTEM, INC.

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FILED: 03/31/2025

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PEOPLES GAS SYSTEM, INC.
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

ANDREW NICHOLS

I. INTRODUCTION

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

A. My name is Andrew Nichols. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Peoples Gas System, Inc. ("Peoples" or the "company") as Director, Business Planning.

Q. Please describe your duties and responsibilities in that position.

A. I am responsible for budgeting and forecasting activities within the company, and preparation of Earnings Surveillance Reports filed with the Florida Public Service Commission ("FPSC" or "Commission").

Q. Please provide a brief outline of your educational background and business experience.

A. I graduated from Saint Mary's University located in Halifax,

Canada in 2014 with a Bachelor of Commerce degree. I began my professional career as an auditor with KPMG. I am a Certified Public Accountant licensed in the State of Illinois, Chartered Professional Accountant licensed in the province of Ontario, and a Chartered Financial Analyst.

Prior to joining Peoples, I worked six years at Liberty Utilities, where I held various financial planning roles with increasing responsibility. My last position at Liberty was Director of Financial Planning and Analysis, reporting out of Liberty's New Hampshire location. I have served in my current position as Director, Business Planning at Peoples since October 2024.

Q. What are the purposes of your prepared direct testimony?

A. The purposes of my prepared direct testimony are to:

(1) Provide an overview of the company's request for rate relief in 2026;

(2) Explain why the company's proposal to use a 2026 projected test year for ratemaking purposes should be approved;

(3) Explain the budget process that we used to develop the financial projections for the 2026 test year;

(4) Explain the calculation of and adjustments we used to develop the company's 2026 test year rate base, 2026 capital

structure, and 2026 net operating income ("NOI"); and

(5) Present and explain the calculation of 2026 test year revenue requirement and test year revenue deficiency, i.e., our 2026 revenue increase request.

Q. Will you address any other topics?

A. Yes. As part of my testimony, I will explain:

(a) the work we performed to update the level of operations and maintenance ("O&M") expenses we capitalize;

(b) our proposal to make no changes to our storm damage reserve target and annual storm damage expense accrual;

(c) our proposal to transfer the investments and associated annual revenue requirement being recovered through our Cast Iron/Bare Steel Replacement Rider ("Rider CI/BSR") from the rider into base rates;

(d) how we have accounted in the test year for the investments we previously proposed to recover through an expanded Rider CI/BSR;

(e) our proposal to update the amortization period for our Work and Asset Management ("WAM") system from 15 to 20 years; and

(f) how we have accounted in the test year for projects that may be recoverable in the future through the proposed Natural Gas Facilities Relocation Cost Recovery Clause (pending rule

adoption).

I will also explain the company's proposed level of O&M expense for the test year, describe how O&M expenses have been impacted by inflation and customer growth, detail how the company's 2026 O&M expenses compare to the Commission's O&M Benchmark, and show that the company's overall 2026 test year O&M expense is reasonable.

Q. Have you prepared an exhibit supporting your prepared direct testimony?

A. Yes. Exhibit No. AN-1 was prepared under my direction and supervision. The contents of my exhibit were derived from the business records of the company and are true and correct to the best of my information and belief. My exhibit consists of 12 documents, as follows:

Document No. 1	List of Minimum Filing Requirement Schedules Sponsored or Co-Sponsored by Andrew Nichols
Document No. 2	2025 and 2026 Capital Budgets
Document No. 3	Operations & Maintenance Expense Summary
Document No. 4	PA Consulting A&G Capitalization Study
Document No. 5	Rider CI/BSR Revenue Requirements

	Transferred to Base Rates
Document No. 6	Corporate Headquarters CPVRR Analysis
Document No. 7	2026 Calculation of Internal Revenue Code Required Deferred Income Tax Adjustment
Document No. 8	2026 Test Year Reconciliation of Capital Structure to Rate Base
Document No. 9	Revenue Summary
Document No. 10	O&M Benchmark Comparison by Function
Document No. 11	Justifications for Non-Trended O&M FERC Accounts
Document No. 12	Storm Reserve Analysis and 2022 Storm Study

Q. Do you sponsor any of Peoples Minimum Filing Requirement ("MFR") Schedules?

A. Yes. I am sponsoring or co-sponsoring the MFR Schedules listed in Document No. 1 of my exhibit. The contents of these MFR Schedules were based on the business records of the company maintained in the ordinary course of business and are true and correct to the best of my information and belief.

Q. How does your testimony relate to the other prepared direct testimony filed by the company in this case?

A. I have organized my direct testimony to show the major components of the calculation of the company's proposed 2026 revenue requirement and incremental base revenue increase. I will support and justify the reasonableness and prudency of some items included in the revenue requirement calculation; however, in most cases, other witnesses provide the necessary support and justifications. I will refer to those witnesses in my discussion of the various elements of our 2026 rate base and NOI amounts.

Q. Are you sponsoring the calculation and justification of the company's proposed 2027 subsequent year adjustment ("SYA")?

A. No. Peoples witness Jeff Chronister will explain why we need our proposed 2026 rate increase and will discuss and justify the company's proposed 2027 SYA, but in doing so, he will rely on some of the financial information I am presenting for the 2026 test year.

II. OVERVIEW OF 2026 BASE RATE INCREASE

Q. Please summarize the company's proposed 2026 base rate increase.

A. Peoples requests a total annual revenue increase for 2026 of $103.6 million. Approximately $6.7 million of this amount is

related to revenues currently being recovered via the company's Rider CI/BSR, so the company's proposed net incremental annual revenue increase is $96.9 million. These amounts were calculated using a 2026 projected test year, a 54.7 percent equity ratio (investor sources), and an 11.1 percent midpoint return on equity ("ROE").

Q. What was Peoples' earned ROE for 2024 and what is its projected ROE for 2025?

A. The ROE reflected on the company's December 2024 Earnings Surveillance Report was 10.37 percent and its projected ROE for 2025 is 7.86 percent, which is below the 9.15 percent bottom of the company's Commission-authorized ROE range.

Q. What is Peoples' projected ROE in the 2026 projected test year without rate relief?

A. With the proposed transfer of the Rider CI/BSR revenue requirement, the company projects an ROE of 5.70 percent in 2026. This return is far below both the 10.15 percent midpoint ROE that the Commission approved in the company's last rate case and the 11.10 percent ROE proposed in this proceeding by company witness Dylan D'Ascendis prepared direct testimony.

III. 2026 PROJECTED TEST YEAR

Q. What test year does the company propose to use for ratemaking purposes in this proceeding?

A. Peoples proposes to use the twelve-month period ending December 31, 2026, as the test year for ratemaking purposes in this case. The company's prepared direct testimony and MFR Schedules filed in this case reflect the levels of projected rate base, capital structure, net operating income, and revenue increase needed so that Peoples can continue to provide safe, reliable, and cost-effective service to its customers in 2026 and maintain its financial integrity.

Q. Were the MFR Schedules in this case, and the levels of projected rate base, capital structure, net operating income, and revenue deficiency reflected in them, prepared using the company's regular budgeting process?

A. Yes. The company developed all elements of its revenue requirement calculation for 2026 using the budgeting and forecasting process described later in my direct testimony.

Q. What effective date for its new rates and charges is Peoples proposing in this case?

A. The company proposes that its revised 2026 rates and charges become effective with the first billing cycle in January 2026.

Q. Should the Commission approve Peoples' projected test period for the twelve months ending December 31, 2026, for ratemaking purposes in this case?

A. Yes. Calendar year 2026 is appropriate for use as the test year in this case because it is representative of Peoples' projected levels of rate base, capital structure, revenues, and costs of service required to provide safe, reliable, and cost-effective service to its customers in 2026, *i.e.*, the period in which the company's proposed new rates and charges will be in effect. The company's proposed 2026 projected test year is more representative of the company's operations when its proposed rate will be in effect than a historic test year.

Q. What is the historic base year in this case?

A. The historic base year is the twelve-month period ended December 31, 2024. All data related for this historical base year as reflected in the company's prepared direct testimony and MFR Schedules was derived from the company's books and records, which are kept in the regular course of the company's business in accordance with Generally Accepted Accounting

Principles, provisions of the Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts, and the rules of the Commission.

IV. BUDGET PROCESS

Q. How did the company prepare the 2026 projected test year financial data?

A. Peoples prepared its 2026 projected test year financial data using the company's normal annual budget process, which includes developing forecasts for capital expenditures and other balance sheet items and all elements of its income statement. Our integrated budget process yields a comprehensive set of budgeted financial statements, including an income statement, balance sheet and statement of cash flows. The company used the budgeting processes that I explain in this portion of my testimony to develop the company's proposed 2026 rate base, 2026 capital structure, 2026 NOI, and 2026 revenue requirement and proposed revenue increase explained in Sections IV through VI of my testimony. The major assumptions we used to develop our 2026 budget are shown in MFR Schedule G-6 and are reasonable.

A. BALANCE SHEET ASSETS

Q. How did the company develop its forecast for balance sheet

assets for 2026?

A. In general, the company budgeted its 2026 balance sheet by starting with actual balances as of December 31, 2024. We then budgeted balance sheet accounts by either forecasting monthly balances based on past trends or using forecasted monthly income statement activity, depending on the type of account. Peoples next generated a statement of cash flows identifying the company's capital structure funding requirements by showing our needs for short-term debt draws, long-term debt issuances, and equity infusions.

Q. What are the major components of the asset side of the company's projected 2026 balance sheet?

A. The largest component on the asset side of our 2026 budgeted balance sheet is the Net Utility Plant, which includes Gas Plant in Service, Property Held for Future Use, and Construction Work in Progress ("CWIP") less Accumulated Depreciation.

Net Utility Plant balances reflect the property, plant, and equipment already invested as well as the capital expenditures included in the company's 2025 and 2026 capital budget. The other major components of the 2026 balance sheet

are the accounts that make up the allowance for working capital.

I will discuss the specific elements and projects (and related dollar amounts) that make up the company's proposed 2026 test year rate base later in my testimony.

Q. How did the company forecast the 2026 test year balances for Gas Plant in Service and CWIP?

A. The company began with December 31, 2024 actual balances and projected forward using the company's detailed 2025 and 2026 capital expenditures budget, which identifies when projects begin (and become part of CWIP) and are placed in service (and become part of Gas Plant in Service). The company forecasted plant retirements and removal costs based on historical trends.

Q. Please explain how Peoples forecasts capital expenditures.

A. Peoples generally separates its capital into two categories: (1) major projects and (2) recurring expenditures.

Major projects generally represent individual projects expected to cost more than $250,000. The company forecasts

major projects based on the specifics of each project and its expected costs and timing.

Recurring expenditures are routine capital costs required to provide service to new customers and costs associated with the replacement and/or relocation of existing facilities and equipment. The company budgets recurring capital expenditures related to adding customers to the system using projected customer growth and recent cost per unit trends. This includes projected capital spending for items such as new revenue mains, meter sets, and service lines. Peoples trends recurring capital expenditures for routine maintenance capital and recurring general plant additions using recent actual spending data.

Peoples witness Christian Richard provides more detail on how the company develops its capital expenditure budget, including its use of an integrated resource planning process, in his prepared direct testimony.

Q. Does the company classify its capital spending based on the objective?

A. Yes. Peoples classifies capital spending as: (1) Growth projects; (2) Reliability, Resiliency, and Efficiency ("RRE")

projects; and (3) Legacy Pipe Replacement projects. The company also identifies projects eligible to accrue Allowance for Funds Used During Construction ("AFUDC") in accordance with Commission Rule 25-7.0141, Florida Administrative Code ("F.A.C."). Peoples did not include AFUDC-eligible projects in rate base when calculating the 2026 test year revenue requirement.

Q. Did the company's Board of Directors approve the 2025 and 2026 capital expenditure budgets?

A. Yes. Peoples' Board of Directors approved the company's 2025 and 2026 capital budgets in February 2025.

Q. What are the amounts of the company's 2025 and 2026 capital budgets used to produce the company's projected 2026 test year rate base?

A. The 2025 capital budget totaling $356.8 million is reflected on MFR Schedule G-1, page 23, as the sum of the total Construction Costs of $339.0 million and Cost of Removal of $17.8 million.

The 2026 capital budget totaling $474.6 million is reflected on MFR Schedule G-1, page 26, as the sum of the total

Construction Costs of $451.8 million and Cost of Removal of $22.8 million.

A summary of the 2025 and 2026 capital budgets is shown in Document No. 2 of my exhibit. These capital budgets are explained and supported by Peoples witnesses Timothy O'Connor (Gas Operations Capital Projects), Christian Richard (Engineering, Construction, and Technology Capital Projects), and Rebecca Washington (Customer Experience Enhancement Projects). I explain and support the company's new corporate headquarters project that is included in the 2025 capital budget.

Q. Please compare the company's actual capital expenditures for 2023 and 2024 to the amounts budgeted for those years in the company's prior rate case filing.

A. Peoples budgeted capital expenditures for years 2023 and 2024 of $397.1 million and $362.4 million, respectively. The company's actual capital expenditures for the years 2023 and 2024 were $360.3 million and $314.1 million, or $36.8 million and $48.3 million lower than the respective prior rate case budget amounts.

Q. Why were the actual amounts lower than the budgeted amounts?

A. The company's actual capital spending in 2023 and 2024 was very close to budgeted amounts after adjusting out the Florida Gas Transmission ("FGT") to Jacksonville Export Facility ("JEF") and the Alliance Dairies RNG projects. FGT to JEF, which was budgeted in the prior case to be $32.6 million and $48.2 million in 2023 and 2024, respectively, has been deferred. This large AFUDC eligible project was budgeted to go into service after the 2024 test year, which meant it had no impact on the adjusted rate base and revenue requirements included in the company's prior rate case filing. The Alliance Dairies RNG project was budgeted to be $0.7 million and moved below the line in the last rate case. Witnesses O'Connor, Richard and Washington also discuss 2024 capital expenditures in their prepared direct testimonies.

Q. How did the company project the test year balances for accumulated depreciation in 2025 and 2026?

A. The company started with the actual accumulated provision for depreciation balances as of December 31, 2024. Peoples then added the projected provision for depreciation expense and subtracted the projected retirements and costs of removal from the starting accumulated provision for depreciation balances. The projected provision for depreciation expense through December 31, 2026 is based on the company's current

depreciation rates approved by the Commission in its last case. The projected retirements from plant-in-service and costs of removal are based on the forecasted amount for 2025 and 2026 based on historical trends.

I describe how the company budgets depreciation expense and the depreciation and amortization rates it proposes to use for the test year in this case in the budgeted income statement portion of my testimony.

Q. Please describe how the company budgeted the 2026 test year balance sheet working capital accounts.

A. The company employed the same process used in developing its annual budgeted balance sheet. These methods are described on an account-by-account basis in MFR Schedule G-6. The company began with actual December 31, 2024 account balances and projected individual line items through the projected test year. The company trended balance sheet accounts, including Accounts Receivable, Accounts Payable, and Unbilled Revenues, using known patterns of activity that occur in the normal course of business.

Q. How did the company forecast regulatory clause and rider accounts - Unrecovered Gas Costs, Rider CI/BSR, and

Conservation Cost Recovery for the 2026 test year?

A. The company forecasted the 2026 13-month average balances by rolling forward the detailed projections for the 2025 balances and targeting near zero balances by year-end 2026. The 2025 detailed projections reflect the company's updated cost projections and Commission approved rates. I discuss this process in more detail later in my testimony.

Q. Does the company's forecasted amounts of gas plant in service for 2025 and 2026 include amounts for the company's new corporate headquarters?

A. Yes. I will explain why our investment in this new facility should be included in 2026 rate base in the rate base section of this testimony.

B. BALANCE SHEET LIABILITIES AND EQUITY

Q. What are the major components of the liability and equity components of the company's projected 2026 balance sheet?

A. These items comprise the company's capital structure and include common equity, long-term debt, short-term debt, customers deposits, and accumulated deferred income taxes ("ADIT").

Q. How did the company forecast the balances of common equity for 2025 and 2026?

A. The company forecasts common equity by considering the cash flow expected from operations, its capital expenditure plans and timing, the net income reflected on its income statement, and the amount of equity it needs to maintain its 54.7 percent equity ratio (investor sources). It coordinates with Emera Incorporated ("Emera") to plan equity infusions to maintain its targeted 54.7 percent equity ratio and reflects those infusions in its budgeted balance sheet amounts for common equity. The company's 2025 and 2026 budgeted equity infusions are $118.0 million and $159.0 million, respectively.

Q. How did the company forecast the balances of long-term and short-term debt for 2025 and 2026?

A. The company forecasts long-term and short-term debt balances by considering the cash flow expected from operations, its capital expenditure plans and timing of the net income reflected on its income statement, and the amount of short- and long-term debt it needs to maintain its target equity ratio (investor sources). The company works with Emera's treasury department to forecast borrowing rates and to optimize the mix of short- and long-term debt and to issue

long-term debt when appropriate. As shown on MFR Schedule G-3, page 8, the company's forecasted debt issuances are $125 million and $200 million for 2025 and 2026, respectively. I discuss the forecasted balances and cost rates for long-term debt and short-term debt in the capital structure portion of this testimony.

Q. How did the company forecast customer deposits for 2025 and 2026?

A. The company forecasted the level of customer deposits using information about anticipated customer and revenue growth. I discuss the 2026 amounts and cost rate for customer deposits in the capital structure portion of this testimony.

Q. How did the company forecast ADIT balances for 2025 and 2026?

A. The company budgeted deferred taxes and the related ADIT balances based on the projected book-tax temporary differences for the forecasted 2026 period. We also included the forecasted flow back of excess and deficient deferred taxes in our tax expense calculation and calculated the flow-back period consistent with the company's last rate case proceeding and the terms of the 2020 Stipulation and Settlement Agreement ("2020 Agreement"). I discuss the 2026

amounts and zero cost rate associated with ADIT in the capital structure portion of this testimony.

C. INCOME STATEMENT

Q. What are the major components of the company's projected 2026 budgeted income statement, and what testimony supports these budgeted components?

A. The major components of the income statement are operating revenues, O&M expenses, depreciation, property tax expenses, and income tax expenses.

Q. How did the company develop 2026 budgeted income statement?

A. Peoples' Finance department prepared the company's 2026 budgeted income statement under my coordination as Director, Business Planning. The Finance department assembled forecasted data prepared by numerous team members and consultants who specialize in different areas of operations. The company applied the same accounting principles, methods, and practices that the company employs for its historical data to its forecasted data to prepare the 2026 budgeted income statement.

The company developed the 2026 forecasted income statement

using all forecasted revenues and other types of income. The major components of forecasted income are base revenues and the revenues from the cost recovery clauses. The 2026 income statement also contains projections for off-system sales net revenues and other operating revenues such as miscellaneous service revenues and revenue related to gas plant leased to others, including a Compressed Natural Gas ("CNG") station and Renewable Natural Gas ("RNG") facility considered by the Commission in our last rate case.

To complete the income statement, the Finance team accumulated all operating expenses, including O&M expenses, depreciation expenses, and property taxes, and prepared estimates of interest expenses, interest income, and all below-the-line items. Once the company determined all pre-tax components, the Finance team calculated income tax expense in consultation with the Corporate Tax Department of TECO Holdings, Inc. ("TECO Holdings") and used it to calculate the final forecasted 2026 net income. The company's Board of Directors approved Peoples' 2026 Budget in February 2025.

1. Revenues

Q. How did the company develop the 2026 base revenue forecasts for Residential and Small Commercial customer classes?

A. The company developed its forecast of base revenues for Residential and Small Commercial customers based on the results of a model with inputs from company witness Eric Fox. These model results determined customers and therms for each rate schedule. The company then applied customer charges and distribution per-therm charges and totaled them to arrive at base revenues for these customer classes. Peoples witness Luke Buzard provides additional information on this process and supports our base revenue forecast in his prepared direct testimony.

Q. How did the company develop the 2026 base revenue forecasts for Larger Commercial and Industrial classes?

A. Peoples uses customer-specific projected usage and applicable rates and charges to forecast revenues for Larger Commercial and Industrial classes. This process is discussed in the direct testimony of witness Buzard.

Q. How did the company budget other operating revenues for 2026?

A. We use different approaches to forecast the components of Other Operating Revenue. We budget miscellaneous service revenues and forfeited discounts using a combination of historical data and trends, as these revenues vary with rates,

the economy, and customer growth. Rent revenue and revenue from gas plant leased to others are budgeted based on contract terms or specific calculations. Consistent with the last rate case, the amount of off-system sales ("OSS") net revenue budgeted for 2026 was based on expected market conditions and historical trends and at an appropriate level for setting the OSS incentive mechanism.

2. O&M Expenses

Q. How did the company forecast O&M expenses for the 2026 income statement?

A. The company developed its 2026 test year O&M expense budget using its detailed cost center level approach, which covers all operational areas, corporate departments, and intercompany O&M expense charges for shared and support services provided by Tampa Electric Company ("Tampa Electric") and Emera. The company budgeted O&M expenses by resource type (payroll, benefits, materials and supplies, outside services, etc.). The company budgeted payroll expenses by position and allocated those payroll costs between O&M, capital expenditures, clause recoverable, and charges to affiliates as appropriate. The company budgeted other resource types by cost center based on projected activity levels and requirements.

Q. Did the company also prepare its 2026 O&M budget on a FERC account basis?

A. Yes. The company calculated 2025 and 2026 O&M expenses by FERC account using the "trending methodology" prescribed by the Commission, adjusting for certain items where trend factors did not capture the projected changes in O&M expense. This version of our 2026 O&M budget is shown in MFR Schedule G-2, pages 12 through 19. I have prepared a comparison of the two O&M methodologies and included it as Document No. 3 of my exhibit.

Q. How does the detailed 2025 and 2026 O&M budget compare with the trended FERC O&M budget data on MFR Schedule G-2, pages 12-19?

A. There are only small differences. The difference, or unreconciled amount, between the detailed 2025 and 2026 O&M budgets and the 2025 and 2026 FERC O&M budget data on MFR Schedule G-2, page 18b is approximately $75,000 and $51,000, respectively. This is also presented on Document No. 3 of my exhibit. This is a difference of 0.03 percent relative to total 2026 O&M expense of $161.4 million. The differences are reflected as a line item labeled "Unreconciled budget items" in FERC Account 930.2 on MFR Schedule G-2, page 18a. As a

result of reflecting the small unreconciled budget items in FERC Account 930.2, the total FERC O&M calculated using trending on MFR Schedule G-2, pages 12-19, for 2025 and 2026 equals the detailed 2025 and 2026 O&M budgets, or approximately $145.6 million for 2025 and $161.4 million for 2026.

Q. What trending factors were used in MFR Schedule G-2, pages 12-19 to develop the 2025 and 2026 O&M expense amounts?

A. Peoples used the trending factors of payroll only, customer-growth plus inflation, and inflation only. This is consistent with Peoples' prior rate proceedings. Peoples used the May 2024 CPI-U forecast update from Moody's Analytics, which was the available forecast at the time the budgeting process began, for the inflation assumptions in the 2025 and 2026 budget. The company used a 4.0 percent annual merit increase for 2025 and 2026 payroll or labor cost trending. This assumption is supported by the prepared direct testimony of Peoples witness Donna Bluestone.

Q. What are Moody's inflation assumptions for 2025 and 2026 used in the budgets?

A. Moody's inflation forecast for 2025 and 2026 used in the

budget is 2.50 percent and 2.33 percent, respectively. Moody's forecast reflects an assumed continued decline in inflation from actual CPI-U of 8.00 percent, 4.12 percent and 2.95 percent in 2022, 2023 and 2024, respectively.

Q. Did the company compare Moody's inflation forecast for 2025 and 2026 with any other forecasts?

A. Yes. The company also reviewed the CPI-U forecast issued as part of the State's National Economic Estimating Conference on July 12, 2024. That forecast projected 2.4 percent inflation in both 2025 and 2026, which was in line with Moody's forecast of 2.50 percent and 2.33 percent used for the 2025 and 2026 Budgets, respectively. Moody's January 2025 update of CPI-U forecast projects 2.60 percent and 2.75 percent for 2025 and 2026, respectively, which is higher than its prior forecast used in the budget assumptions. The 2.50 percent and 2.33 percent budget assumptions for 2025 and 2026 are, therefore, reasonable and conservative.

Q. How does the company budget labor and employee benefit costs?

A. The company forecasts labor and employee benefit costs using the labor increase percentages and actuarial information provided by an external actuarial firm. Witness Bluestone

describes these matters more completely in her direct testimony.

Q. Did the senior leadership of Peoples review budgeted O&M expenses for reasonableness as part of the budget approval process?

A. Yes. Peoples' senior management team reviewed the overall O&M expense budget for reasonableness and for alignment with the overall company objectives described in the prepared direct testimony of Peoples witness Helen Wesley prior to finalizing the 2026 O&M budget.

Q. Which company witnesses support the proposed 2026 O&M expenses in direct testimony?

A. The components of the company's 2026 O&M expenses are supported by my direct testimony and the direct testimony of witnesses O'Connor, Richard, Bluestone, Buzard and Washington. My direct testimony summarizes the total 2026 O&M expense.

Q. Prior to preparing the 2026 test year O&M budget, did the company perform a comprehensive procedural review and associated cost study of the direct and indirect cost of

providing resources to SeaCoast Gas Transmission, LLC ("SeaCoast") as directed to do so in Order No. PSC-2023-0388-FOF-GU?

A. Yes. The company performed a comprehensive procedural revenue ("CPR") and associated cost study of the direct and indirect cost being charged to SeaCoast in 2024. This study is discussed later in my testimony. Peoples added departments to the pool of indirect costs to be allocated as a result of the CPR. This resulted in increases to costs allocated from Peoples to SeaCoast for 2024 and in the budgeted amounts for 2025 and 2026.

Q. Did the company perform any other O&M expense analysis that affected the amount of O&M expense recognized in 2024 and budgeted for the 2026 test year?

A. Yes. On page 91 of our last rate case Order No. PSC-2023-0388-FOF-GU, the Commission stated that the company did not provide any necessary studies or analysis to support its proposed A&G transfer amount and made an adjustment that reduced our O&M expense and increased the amount of A&G expense capitalized as part of rate base. The company engaged PA Consulting to perform an A&G capitalization study in 2024 to evaluate its A&G expense capitalization methodology. A

copy of this study is included in Document No. 4 of my exhibit.

Q. Did the company apply PA Consulting's method of determining an appropriate A&G transfer in the 2026 Budget?

A. Yes. The company consistently applied the PA Consulting methods and capitalized A&G expenses in the amount of $23.7 million in the 2026 Budget. This amount is shown as a credit to O&M expense in FERC Account 922 on Schedule G-2, page 19b. It also applied the new method in 2024 and 2025, which resulted in an O&M expense reduction of approximately $6.0 million in 2024.

Q. How did the company include amounts paid to and from affiliates ("Affiliate Transactions") in its 2026 budgeted income statement?

A. Peoples has a detailed and comprehensive system of procedures and accounting controls to account for Affiliate Transactions and used those procedures to prepare all of its budgeted information for 2026. These procedures led the company to update the relative customer count numbers used to assign Customer Experience shared services amounts to Peoples in 2025 and 2026. Witness Chronister explains this change and

how the company accounts for Affiliate Transactions in his testimony. Witness Washington explains how the updated assignment percentage for Customer Experience impacts 2026 Customer Experience O&M amounts in her testimony.

3. Depreciation and Amortization Expenses

Q. How did the company forecast depreciation and amortization expense for the 2026 test year?

A. The company calculated the test year depreciation and amortization expense by applying the Commission approved depreciation and amortization rates in Order No. 2023-0388-FOF-GU to the 2026 monthly balances of gas plant-in-service.

Q. Should the currently prescribed depreciation rates be used to calculate the company's 2026 test year revenue requirement?

A. Yes. With the exception of the amortization period for its WAM system, the company believes that its current depreciation and amortization rates approved in its last rate case are reasonable and should be used to calculate its 2026 revenue requirement.

Q. Does the 2026 budgeted depreciation expense in this filing reflect the company's petition in Docket No. 20240157-GU to

create a new FERC Sub-account 303.02 with a 20-year life and 5.0 percent depreciation rate for its WAM system effective January 1, 2025?

A. No. The company did not reflect moving the WAM asset to FERC Sub-account 303.02 in its 2025 and 2026 budgets, and it withdrew its petition in Docket No. 20240157-GU. The company, however, proposes to create a new Sub-account 303.02 in this proceeding for the WAM system with a 20-year life and 5.0 percent depreciation rate effective January 1, 2026.

This would result in an increase in asset life from 15 to 20 years and would reduce depreciation expense by $717,633 in 2026. The 2026 test year 13-month average rate base would be increased by $355,547 due to the reduction in accumulated depreciation. Commission approval of this change would lower the company's test year revenue requirement.

Q. Please explain how the company determined the original service life of 15 years for the WAM system.

A. The company included WAM in FERC Account 303.1 Custom Software - 15 years in its last revised depreciation study in Docket No. 20220219-GU on April 4, 2023 (the "Revised Study") within Appendix F-1, Summary of Plant in Service 2019-2024 (Bates

Page 145). The company determined FERC Account 303.1 Custom Software to be the most appropriate approved depreciation account in which to place it. WAM was not "included" in the Revised Study as an evaluated and analyzed asset but rather as a 2024 forecasted addition in the most appropriate account that had a designated service life of 15 years.

Q. Should the Commission approve the company's proposal to increase the amortization period of WAM from 15 to 20 years?

A. Yes. Witness Richard explains the reasons supporting this proposed change in his direct testimony.

Q. Should the company approve a new Sub-account for the company's WAM system?

A. Yes. If the Commission approves the company's proposal to change the amortization period for WAM from 15 to 20 years, the company also requests that the Commission also give the company permission to create a new sub-account named "Sub-account 303.02 – Customized Software - 20 Years" and to move its investment and associated reserve balances for customized WAM software as of December 31, 2025 out of Sub-account 303.01 (15 year amortization period) into the new sub-account effective as of January 1, 2026.

4. Property Tax Expense

Q. Please explain how the company budgeted the 2026 property tax expense.

A. Property tax expense represents payments made by the company to county governments for ad valorem taxes. The projected expense is a function of forecasted tax rates and the projected values that will be used by the counties to assess the company's tangible personal and real property. The assessment is 20 percent based on the company's Net Utility Plant balances on January 1, 2026, and 80 percent based on a weighted average NOI based on the prior three years, with more weighting given to the most recent year in determining a negotiated NOI amount with the property tax appraisers. As our investment in assets and NOI grows, property tax expense also grows. In addition, as discussed in witness Chronister's prepared direct testimony, there is a lag in property tax assessments reflecting test year capital investments and increases in NOI associated with the Commission approved revenue increases. As a result, the company projects that ad valorem property taxes in its base rate revenue requirements will grow by approximately $7.0 million from the $22.4 million Commission approved 2024 amount in the prior case to $29.3 million in the 2026 test year.

5. Income Taxes

Q. Please explain how the company budgeted income taxes for 2026.

A. The company computed income tax expense for the test year on a stand-alone basis consistent with the company's last rate case proceeding and long-standing Commission practice. Projected total income tax expense is a function of forecasted taxable income coupled with the Internal Revenue Service ("IRS") and Florida state tax rules expected to be in place during the test year and in compliance with the normalization requirements of the Internal Revenue Code ("IRC") and the rules of the Commission.

Q. Does Peoples file a consolidated United States income tax return with other Emera companies?

A. Yes. Peoples Gas System, Inc. is a wholly owned subsidiary of TECO Gas Operations, Inc., which is a wholly owned subsidiary of TECO Holdings", which is a wholly owned subsidiary of Emera United States Holdings, Inc. ("EUSHI"), which is a wholly owned subsidiary of Emera Incorporated. Peoples and other TECO Holdings companies file United States income tax returns on a consolidated basis with EUSHI. Peoples does not expect being included in a consolidated tax return will cause any benefit or detriment to Peoples or its customers in the 2026

test year.

D. BUDGET TREATMENT OF RIDERS AND CLAUSES

1. Cast Iron/Bare Steel Replacement Rider

Q. Did the company assume a transfer of Rider CI/BSR investments to rate base and related revenue requirements to base rates in its 2026 Budget?

A. Yes. The company proposes using the same methodology approved by the Commission in its last rate case and prepared its 2026 test year budgets on that basis.

Specifically, effective January 1, 2026, the company's 2026 Budget reflects the transfer of gross plant, accumulated depreciation, and construction work in progress to rate base for the amounts related to the cumulative Rider CI/BSR eligible investments made from January 1, 2024 (the reset date from the company's prior rate proceeding) through December 31, 2025. The net book value of the Rider CI/BSR investments accumulated in the rider during that period is projected to be approximately $53.4 million, which is shown in Document No. 5 of my exhibit.

The company also included the related depreciation, property tax expense, and return on the rate base effective January 1,

2026 in the calculation of the 2026 projected test year base rate revenue requirement.

The amount of Rider CI/BSR transferred revenue requirements to base rates is $6.7 million and is shown in Document No. 5 of my exhibit. Witness Richard is responsible for budgeting and executing Rider CI/BSR projects.

Q. Does the way the company budgeted Rider CI/BSR for 2026 and its Rider CI/BSR transfer proposal in this case reflect any change to the basic operation of the Rider CI/BSR program?

A. No. The Rider CI/BSR program will continue until all eligible infrastructure replacements have been made, even though the company proposes to reset the Rider CI/BSR surcharge to zero. Peoples accordingly reflected eligible replacement investments budgeted for 2026 and their related costs as recoverable through the reset Rider CI/BSR in 2026. The company excluded the first $1.0 million of capital expenditures for replacements in 2026 from recovery through the Rider CI/BSR surcharge in compliance with Commission Order No. PSC-2012-0476-TRF-GU, issued on September 18, 2012. Peoples included this $1.0 million in rate base for the 2026 test year. This treatment is consistent with the company's last two rate case filings.

Q. Does the company propose to maintain the true-up process approved by the Commission in the last rate case related to the transferred Rider CI/BSR revenue requirements?

A. Yes. The company proposes that any true-up should be included the company's subsequent Rider CI/BSR annual true-up filing in August or September 2026. This is consistent with the Commission's approach in the last two rate cases.

2. Rider CI/BSR Expansion

Q. Does the company's proposed 2026 revenue requirement in this case reflect the proposed expansion of Rider CI/BSR eligible investments requested in Docket No. 20240107-GU and the transfer of additional plant investments to the rider?

A. No. The company withdrew its petition in Docket No. 20240107-GU and the company's 2025 and 2026 rate base amounts only reflect Commission approved Rider CI/BSR eligible investments in the rider. To simplify this case, the company will evaluate whether to pursue an expansion of the Rider CI/BSR after this proceeding has been concluded.

3. Natural Gas Facilities Relocation Cost Recovery Clause

Q. Are there any other new riders or clauses that have a potential impact on the 2026 test year revenue requirements

to be recovered through base rates?

A. Yes. The Commission is proposing to adopt the Natural Gas Facilities Relocation Cost Recovery Clause ("NGFRCRC") under Rule 25-7.150, F.A.C. When adopted, the NGFRCRC would allow for recovery of revenue requirements related to eligible facilities relocation investments.

Q. Do the company's 2026 budgets or its proposed 2026 base rates and charges reflect recovery of facilities relocation related revenue requirements through the proposed NGFRCRC?

A. No. The company did not assume any recovery of 2025 and 2026 test year revenue requirements related to facilities relocation investments through the proposed NGFRCRC. The company has included facilities relocation investments in rate base and the related costs in its calculation of its 2026 test year revenue requirement.

V. 2026 RATE BASE

Q. What amount of Rate Base for the 2026 test year should be approved?

A. The Commission should approve Peoples' 13-month average adjusted rate base for the 2026 test year of $2,954.4 million

as detailed on MFR Schedule G-1, page 1. This amount reflects the transfer of approximately $53.4 million of projected net Rider CI/BSR investments as of December 31, 2025, into rate base effective January 1, 2026. It also reflects the company's position on the other rate base issues and topics explained in this portion of my testimony.

A. GENERAL

Q. Has Peoples made appropriate adjustments to remove all non-utility activities from Plant in Service, Accumulated Depreciation, and Working Capital in the 2026 test year?

A. Yes. The company has appropriately adjusted the 2026 test year regulated Plant in Service and Accumulated Depreciation for non-utility use of Common Plant as shown on MFR Schedule G-1, page 4. The non-utility use of Common Plant adjustments to Plant in Service and Accumulated Depreciation were $3.7 and $0.4 million, respectively. Pursuant to Order No. 2023-0388-FOF-GU, Alliance Dairies RNG project is a non-utility project. Peoples removed $13.5 million associated with this project from rate base for non-utility adjustments to the allowance for working capital as shown on MFR Schedule G-1, page 4, with further details shown on MFR Schedule G-1, pages 2 and 3.

Q. Has Peoples removed all costs attributable to SeaCoast from rate base for the 2026 test year?

A. Yes. There are no costs attributable to SeaCoast included in rate base for the 2026 test year. Witness Chronister describes the comprehensive procedural review and associated cost study of the support Peoples provides to SeaCoast required in the company's last rate case order in his prepared direct testimony.

Q. Has the company capitalized a reasonable amount of Administrative and General Expense for the 2026 test year?

A. Yes. The company prepared its 2026 forecasted balance sheet and rate base amounts using the PA Consulting methods I previously described and capitalized A&G expenses in the amount of $23.7 million. This amount is shown as a credit to O&M expense in FERC Account 922 on Schedule G-2, page 19b, is reasonable, and should be approved.

B. GAS PLANT IN SERVICE

Q. Should Peoples' proposed Gas Operations Capital Projects be included in the 2026 test year?

A. Yes. The proposed Gas Operations Capital Projects with

capital expenditures of $62.7 and $79.3 million budgeted for years 2025 and 2026, respectively, should be included in the 2026 test year. Witness O'Connor explains and supports why these projects are prudent in his direct testimony.

Q. Should Peoples' proposed Engineering, Construction and Technology ("ECT") Capital Projects be included in the 2026 test year?

A. Yes. The proposed ECT Capital Projects with capital expenditures of $277.3 and $392.5 million budgeted for years 2025 and 2026, respectively, should be included in the 2026 test year. Witness Richard explains and supports why these projects are prudent in his direct testimony.

Q. Should Peoples' proposed Customer Experience ("CE") Enhancement Capital Projects be included in the 2026 test year?

A. Yes. The proposed CE Enhancement Capital Projects with capital expenditures of $2.0 and $2.9 million budgeted for years 2025 and 2026, respectively, should be included in the 2026 test year. Witness Washington explains and supports why these projects are prudent in her direct testimony.

Q. What amount of Gas Plant in Service should be approved for the 2026 test year?

A. The Commission should approve the company's projected 2026 thirteen-month average balance of Gas Plant in Service of $3,993.7 million for the test year. This amount is the net amount of the Gas Plant in Service and Common Plant Allocated as shown on lines 1 and 4 of MFR Schedule G-1, page 1, and reflects the Gas Operations, ECT, and CE capital projects discussed above. It also includes the company's investment in its new corporate headquarters.

Q. Please describe Peoples' corporate headquarters project ("Corporate Headquarters").

A. Tampa Electric witness Carlos Aldazabal discussed this topic in his direct testimony in our affiliate Tampa Electric's last rate case in Docket No. 20240026-EI.

Peoples and Tampa Electric are relocating their corporate headquarters from TECO Plaza to a new 18-story tower in Midtown Tampa. Peoples will occupy three floors, Tampa Electric will occupy 6 floors, and employees of both companies will share two assembly floors containing meeting rooms and amenities for both companies. Each company will own its share

of the new tower. Peoples will purchase its portion of the new tower as well as rights to 260 parking spaces. Construction of the new tower is still underway, and Peoples expects to receive a Certificate of Occupancy in Summer of 2025 with a budgeted in-service date of June 2025.

The Commission approved Tampa Electric's portion of the Corporate Headquarters in Order No. 2025-0038-FOF-EI. The Commission indicated that Tampa Electric has met its burden of proof by providing both a Cumulative Present Value Revenue Requirement ("CPVRR") analysis and detailed qualitative benefits that the new Midtown location will provide. The order stated that relocating employees to the new Corporate Headquarters will provide additional space for expansion and the structure will be more storm resilient and built to current building codes. Document No. 6 of my exhibit contains the Peoples focused CPVRR analysis like the one presented to the Commission in the Tampa Electric rate case. These analyses and benefits apply equally to Peoples and show that moving to the new Corporate Headquarters is prudent for Peoples as well.

Q. What qualitative benefits will the Corporate Headquarters provide to Peoples?

A. The Corporate Headquarters will provide the same qualitative

benefits to Peoples that the Commission considered in Tampa Electric's last rate case. First, the Corporate Headquarters building will be more storm resilient because it is located more inland and is built to modern code standards. Second, the new building will offer modern facilities with more efficient floor layouts that will accommodate more team members and reduce space needs in the future. Third, the new building will provide more flexibility than Peoples' current office footprint within TECO Plaza. Fourth, TECO Plaza does not include dedicated employee parking, which presented a potential safety issue, because some team members walked to remote parking spaces. The Corporate Headquarters will address this problem by offering dedicated parking for Peoples team members. Finally, moving into a new building with modern and more efficient floor layouts and dedicated parking will make it easier for Peoples to attract and retain new team members. As was the case in the Tampa Electric rate case, these qualitative benefits show that the Corporate Headquarters building is a prudent investment and should be included in rate base in this case.

Q. How were the capital expenditures for the Corporate Headquarters apportioned between Peoples and Tampa Electric?

A. The capital expenditures were apportioned between Peoples and

Tampa Electric based on square footage requirements for team members that will be working at the Corporate Headquarters.

Q. What is Peoples' cost for the Corporate Headquarters?

A. Peoples' capital investment in the Corporate Headquarters is $66.9 million (excluding AFUDC charges), which includes the purchase of three entire floors and the pro-rated cost for the two floors in the tower shared with Tampa Electric, the rights to 260 parking spaces, and the completion of the interior floors. The company considers the Corporate Headquarters to be an RRE project.

Q. Should Peoples' proposed Corporate Headquarters Capital Project be included in Gas Plant in Service and Rate Base for the 2026 test year?

A. Yes. The company's proposed Corporate Headquarters Capital Project with a total capital cost of $66.9 million (excluding AFUDC charges), including capital expenditures of $14.8 million budgeted for year 2025, should be included in the 2026 test year without any adjustments. Document No. 6 of my exhibit includes the analyses used by Peoples and shows that this project is prudent for Peoples as well. Commission approval of Peoples' portion of the Corporate Headquarters

would be consistent with the approval of Tampa Electric's portion of the Corporate Headquarters granted in Order No. 2025-0038-FOF-EI.

C. PROPERTY HELD FOR FUTURE USE

Q. What amount of Property Held for Future Use should be approved for the 2026 test year?

A. The company removed Property Held for Future Use from adjusted rate base as shown on MFR Schedule G-1, page 1. This approach is consistent with prior rate case proceedings. Therefore, no amount of Property Held for Future Use should be approved for the 2026 test year.

D. CONSTRUCTION WORK IN PROGRESS

Q. What amount of CWIP should be approved for the 2026 test year?

A. The Commission should approve the thirteen-month average CWIP balance of $36.2 million for the projected test year as shown on MFR Schedule G-1, page 1, line 2. This amount reflects the amounts and timing of capital projects expected to be in progress during the test year, was developed using the company's budgeting process, and is a reasonable and prudent amount for ratemaking purposes.

Q. Did the company remove AFUDC eligible CWIP in determining adjusted rate base?

A. Yes. The company removed $14.9 million of AFUDC eligible CWIP from rate base as shown on MFR Schedule G-1, page 4.

E. ACCUMULATED DEPRECIATION AND AMORTIZATION

Q. What amount of Accumulated Depreciation and Amortization should be approved for the 2026 test year?

A. The Commission should approve the thirteen-month average Accumulated Depreciation and Amortization amount of $1,047.0 million for the 2026 test year as shown on MFR Schedule G-1, page 1, line 7. This amount reflects the application of the company's currently approved depreciation and amortization rates applied to the company's plant balances, reflects the plant additions and retirements contained in the company's capital expenditure plans and budgets, and is a reasonable and prudent amount for ratemaking purposes.

F. WORKING CAPITAL

Q. What amount of Working Capital should be approved for the 2026 test year?

A. The Commission should approve a $1.1 million Working Capital

Allowance for the 2026 test year as shown on MFR Schedule G-1, page 1, line 11. This amount is lower than the net positive $8.9 million in working capital allowance for the 2024 base year and reflects a reasonable and prudent amount of working capital for the 2026 test year.

Q. What methodology did the company use to calculate this level of working capital?

A. Peoples developed working capital using the balance sheet method which has been accepted by the Commission for many years. The company projected the various components that make up working capital using a variety of methods described in MFR Schedule G-6, pages 2 and 3, and in the rate base asset budgeting portion of my testimony.

Q. How did the company treat clause and rider over/under recoveries in calculating the projected 2026 allowance for working capital?

A. The company's competitive rate adjustment is projected to be under-recovered during 2026. Peoples deducted the under-recovery from working capital as an adjustment in accordance with Commission guidelines. The company's Purchased Gas Adjustment ("PGA") clause, Conservation Cost Recovery clause,

and Rider CI/BSR are projected to have over-recoveries in the test year and are included in working capital.

Q. What amount of Unamortized Rate Case Expense should be included in working capital for the 2026 test year?

A. The company removed Unamortized Rate Case Expense from working capital and none is included in 2026 test year Working Capital. This approach is consistent with prior rate case filings.

G. TOTAL 2026 RATE BASE

Q. What amount of Total Rate Base should be approved for the 2026 test year?

A. The Commission should approve the thirteen-month average Total Rate Base balance of $2,954.4 million for the 2026 test year as shown on MFR Schedule G-1, page 1, line 12. This amount reflects a reasonable and prudent amount of rate base that will be used and useful serving customers in the 2026 test year.

VI. 2026 CAPITAL STRUCTURE

Q. What are the components of the company's capital structure?

A. The components of the company's total capital structure are common equity, short-term debt, long-term debt, customer deposits and ADIT.

Q. What is the company's 2026 proposed overall weighted average cost-of-capital ("WACC")?

A. The company's proposed WACC for 2026 is 7.57 percent as detailed in MFR Schedule G-3, page 2. The 7.57 percent proposed cost-of-capital is based on a return on equity of 11.10 percent, which is supported by witness D'Ascendis and reflects a capital structure with an equity ratio of 54.7 percent equity and a debt ratio of 45.3 percent (investor sources).

A. EQUITY RATIO AND RETURN

Q. What equity ratio should be approved for use in the capital structure for ratemaking purposes for the 2026 test year?

A. The Commission should approve the company's proposed 54.7 percent equity ratio (investor sources). Continuing with the 54.7 percent equity ratio as approved by the Commission in prior rate cases will allow the company to maintain its financial integrity, attract capital on reasonable terms and conditions, and ensure uninterrupted access to capital

markets to finance infrastructure improvements and manage unforeseen events. Witness Chronister discusses this in greater detail in his direct testimony.

Q. How does the company's proposed 54.7 percent equity ratio compare with the allowed capital structure in Peoples' last general base rate proceeding?

A. The proposed capital structure equity ratio of 54.7 percent from investor sources is consistent with the Commission approved capital structure in Peoples' last general base rate proceeding and the two prior proceedings. Witness Chronister discusses this in greater detail in his direct testimony.

Q. What authorized ROE should be approved for use in establishing Peoples' revenue requirement for the 2026 test year?

A. The Commission should approve a mid-point return on equity of 11.10 percent with an allowed range of earnings of plus or minus 100 basis points, which is supported in the testimony of witness D'Ascendis.

B. SHORT-TERM AND LONG-TERM DEBT

Q. What amount and cost rate for short-term debt should be approved for use in the capital structure for the 2026 test

year?

A. The Commission should approve $93.6 million of short-term debt with a cost rate of 4.24 percent for use in the capital structure for the 2026 test year as shown on MFR Schedule G-3, page 2. This amount of short-term debt is reasonable and reflects the level of short-term debt the company expects to be outstanding during the test year based on its forecasted capital expenditures, expected cash flows from operations, and the limits on its short-term credit facilities. The company uses short-term debt to finance its day-to-day operations and with the assistance of Emera's treasury team, issues long-term debt to replace short-term debt based on market considerations as its short-term debt balances grow. Witness Chronister explains and supports why this short-term debt rate is reasonable and prudent in his prepared direct testimony.

Q. What amount and cost rate for long-term debt should be approved for use in the capital structure for the 2026 test year?

A. The Commission should approve $1,082.6 million of long-term debt with a cost rate of 5.64 percent for use in the capital structure for the 2026 test year as shown on MFR Schedule G-

3, page 2. This amount is reasonable and reflects the level of long-term debt the company expects to be outstanding during the test year based on its forecasted capital expenditures, cash flows from operations, short-term debt balances, and target equity ratio of 54.7 percent. The company coordinates long-term debt issuances and equity infusions from its parent based on market considerations with Emera's treasury team based on its cash needs and its short-term debt balances. Witness Chronister explains and supports why this long-term debt rate is reasonable and prudent in his prepared direct testimony.

C. CUSTOMER DEPOSITS

Q. What amount and cost rate for customer deposits should be approved for use in the capital structure for the 2026 test year?

A. The Commission should approve the thirteen-month average customer deposit amount of $29.5 million with a cost rate of 2.52 percent as shown on MFR Schedule G-3, page 2. This amount is reasonable and reflects the level of customer deposits the company expects to have during the test year based on the budgeting process I previously described. This cost rate is the Commission-approved cost rate for customer deposits.

D. ADIT

Q. What amount of accumulated deferred taxes should be approved for use in the capital structure for the 2026 test year?

A. The Commission should approve the thirteen-month average ADIT amount of $327.8 million for use in the capital structure for the 2026 test year. This amount is reasonable and reflects the level of ADIT the company expects to have during the test year based on the budgeting process I previously described. This amount is shown on MFR Schedule G-3, page 2.

Q. Did the company make any capital structure adjustment to ADIT to comply with the IRC?

A. Yes. The company adjusted ADIT in the capital structure to reflect the IRC normalization adjustment required when a utility taxpayer uses a projected test period for ratemaking purposes. This adjustment reduced ADIT with an offset applied to investor sources of capital on a pro-rata basis. This adjustment is necessary to state the projected 2026 ADIT balance, which is treated as a zero-cost capital source, at the level required to comply with the forecast test period requirements as set forth in U.S. Treasury Regulation Section 1.167(1)-1.

The ADIT balances on MFR Schedule G-1, page 8 are based on a thirteen-month average of projected balances. However, the IRC requirements in this situation require a specific computation to determine the maximum amount of ADIT to be treated as zero-cost capital in the cost of capital calculation. The specific computation is shown on Document No. 7 of my exhibit as a reduction to deferred taxes in the amount of $3.2 million, which is included in the specific adjustment on MFR Schedule G-3, page 2. This adjustment is only required for accumulated deferred income taxes recorded in Account 282, net of the FAS 109 component, because this account includes the deferred taxes governed by the IRS normalization rules.

E. UNAMORTIZED INVESTMENT TAX CREDITS

Q. What amount and cost rate of the unamortized investment tax credits should be approved for use in the capital structure for the 2026 test year?

A. The Commission should approve $0 of unamortized investment tax credits approved for use in the capital structure for the 2026 test year as shown on MFR Schedule G-3, page 2.

F. RECONCILIATION TO RATE BASE

Q. Did the company properly reconcile the 2026 projected test

year capital structure to 2026 test year rate base?

A. Yes. The reconciliation of the 2026 test year rate base to average capital structure is shown on Document No. 8 of my exhibit. The rate base adjustments I discussed earlier in my testimony require associated adjustments to capital structure to keep rate base and capital structure in sync. The company took the steps explained below to reconcile rate base and capital structure.

First, the company adjusted certain rate base items to specific capital structure items to which they are specifically related. These "specific adjustments" include property held for future use, investments in subsidiaries and common plant non-utility adjustments to rate base, each a specific adjustment to equity. Unamortized debt discount and expense amounts were also specifically adjusted out of long-term debt.

Second, Peoples specifically adjusted some items to ADIT for direct impacts and the remainder were adjusted over investor sources of capital or pro-rata over all sources of capital. The company made specific adjustments to ADIT for the competitive rate adjustment receivable and unamortized rate case expense due to their immediate deferred income tax

impacts. The company used the same approach for Rider CI/BSR assets because the replacement of legacy pipe is a deductible repair and maintenance cost when placed in service under IRC Section 162.

Third, the CWIP on projects deemed eligible to accrue AFUDC was excluded from rate base and was adjusted on a pro-rata basis over all sources of capital.

The remaining items were adjusted on a pro-rata basis over investor sources.

Q. Do these adjustments to rate base and capital structure impact NOI?

A. Yes. After Peoples made the above-described adjustments, the company adjusted income tax expense to reflect the appropriate amount of interest expense based on the amount and cost of debt in the capital structure that was synchronized to the rate base. This interest synchronization adjustment is shown on MFR Schedule G-2, page 3.

G. 2026 CAPITAL STRUCTURE SUMMARY

Q. What capital structure and weighted average cost of capital should be approved for use establishing Peoples' revenue

requirement for the 2026 test year?

A. The Commission should approve the Adjusted Capital Structure totaling $2,954.4 million and a weighted average cost of capital of 7.57 percent for the 2026 test year as shown on MFR Schedule G-3, page 2.

VII. 2026 NET OPERATING INCOME

A. GENERAL

Q. What amount of NOI should be approved for the 2026 test year?

A. The Commission should approve adjusted NOI for the 2026 test year of $147.0 million as shown on MFR Schedule G-2, page 1, line 17. I explain the major elements of the calculation of NOI later in my testimony.

Q. Did Peoples follow accounting guidance and make regulatory adjustments to its 2026 budgeted income statement to determine the 2026 test year NOI?

A. Yes. The company made accounting adjustments consistent with the Commission's rules and previous Commission directives and policies from Peoples' prior base rate proceedings, including the company's last rate case. The decision in the last case continued several accounting treatments that originated in

the 2020 Agreement approved by the Commission in Order No. PSC-2020-0485-FOF-GU, issued December 10, 2020, in Docket Nos. 20200051-GU, 20200166-GU, and 20200178-GU.

Q. Please describe the 2020 Agreement's approved accounting guidance and adjustments that the company believes continue to be fair to customers and should be consistently applied to determine the company's 2026 test year NOI.

A. First, the 2020 Agreement required Peoples to make a parent debt adjustment to its income tax expense based on Emera's capital structure. Peoples followed this methodology in the company's last rate case, which resulted in the Commission approved parent debt adjustment amount of $3.2 million. The company proposes to follow the same methodology in the 2026 test year. The proposed parent debt adjustment for 2026 test year is $3.0 million.

Second, Commission approved an annual amortization expense of $1.0 million related to its Manufactured Gas Plant ("MGP") environmental remediation in both the 2020 Agreement and in the company's last rate case. The Commission determined that $1.0 million was an appropriate amount to be included in revenue requirements to accommodate the remaining environmental remediation costs and related costs already

expended but not recovered from customers in base rates. The expected balance of the MGP related regulatory assets is $17.7 million as of January 1, 2026. The company proposes to continue the inclusion of $1.0 million of MGP amortization expense in its 2026 test year revenue requirements, which is shown on MFR Schedule G-2, page 1, line 7.

Third, the Commission approved an annual storm reserve accrual of $380,000 in both the 2020 Agreement and the company's last rate case. Peoples' storm reserve was exhausted due to storm costs incurred for Hurricanes Helene and Milton. The storm reserve is reflected on the company's books as a regulatory asset balance of approximately $1.5 million as of December 31, 2024. The company proposes to maintain its annual storm reserve accrual at the approved $380,000 and its existing storm reserve target of $3.8 million in lieu of seeking Commission approval for a storm surcharge for costs associated with Hurricanes Helene and Milton. Peoples is making this proposal without prejudice to its ability to seek relief pursuant to Rule 25-7.0143(1)(j), Florida Administrative Code.

Fourth, the Commission allowed the company to use reserve accounting for its Transmission Integrity Management Program ("TIMP") spending and record a levelized annual expense in

the company's last two rate cases. The 2020 Agreement set the levelized annual expense at $1,437,475 and the Commission set it at $998,571 in the company's last rate case. Peoples was required to reflect any difference between the actual cumulative spending and cumulative expense accrual as a regulatory asset or liability, as appropriate. The basis for this adjustment was the projected volatility in annual TIMP related spending from year to year depending on timing of required transmission pipeline inspections. The company projects that a TIMP related regulatory asset of $3.5 million will be recorded on Peoples' books by January 1, 2026. This balance reflects cumulative TIMP costs from 2021 to 2025 of $9.8 million and cumulative accruals during that period of $6.3 million.

Peoples proposes to continue reserve accounting treatment and accrue a levelized TIMP expense to address expected continuing volatility in TIMP spending. Peoples also proposes to continue reflecting any difference between the actual cumulative spending and cumulative expense accrual as a regulatory asset or liability. Summing the $4.7 million of projected TIMP costs over the 2026-2028 period and the projected regulatory asset balance of $3.5 million as of January 1, 2026, results in a total of $8.2 million. Using the total of $8.2 million spread over a three-year period,

the company proposes a levelized accrual expense of $2.7 million starting in the 2026 test year revenue requirements, which is an increase of $1.7 million from the last rate case. Witness Richard also discusses TIMP costs in his direct testimony.

Fifth, the Commission allowed Peoples to record non-capitalizable software implementation costs as a regulatory asset and amortize the costs over a five-year period in the company's last two rate cases. Peoples projects the unamortized non-capitalizable software implementation costs recorded as a regulatory asset will be $0.7 million by January 1, 2026. The company proposes to continue the accounting treatment for non-capitalizable software implementation costs in the projected test year and amortize the associated regulatory asset over the authorized five-year period. The 2026 test year reflects $0.3 million of annual amortization of the regulatory asset associated with non-capitalizable software implementation costs in FERC Account 930.2.

Sixth, the Commission approved a three-year period amortization period for rate case expenses in the company's last two rate cases. In our most recent rate case, the Commission approved amortization of these expenses over the years 2024 through 2026. The company has filed this rate case

before completing the three-year amortization period approved in its last rate case, so for the 2026 test year, the company proposes to use a two-year amortization period for the current rate case expenses and the unamortized balance from its last rate case ($922,016 as of January 1, 2026), in the amount of total rate case expense to be recovered and amortized over two years in this case.

Q. Has Peoples made the appropriate test year NOI adjustments to remove gas revenues and expenses recoverable through the PGA?

A. Yes. The appropriate NOI adjustments to remove gas revenues and expenses recoverable through the PGA are shown on MFR Schedule G-2, page 2, lines 2 and 8.

Q. Has Peoples made the appropriate test year NOI adjustments to remove Rider CI/BSR revenues and expenses recoverable through the rider?

A. Yes. The appropriate NOI adjustments to remove Rider CI/BSR revenues and expenses are shown on MFR Schedule G-2, page 2, lines 4, 5 and 11.

Q. Has Peoples made the appropriate test year NOI adjustments to remove conservation revenues and conservation expenses

recoverable through the Natural Gas Conservation Cost Recovery Clause?

A. Yes. The company reflected zero dollars for conservation revenues and conservation expenses in the MFR Schedules for the 2026 test year as noted on MFR Schedule G-2, page 1. These adjustments are shown on MFR Schedule G-2, page 2, lines 1 and 10, reflect zero dollars.

Q. Has Peoples made appropriate NOI adjustments to remove all non-utility activities, including SeaCoast, from NOI for the 2026 test year?

A. Yes. The company has appropriately adjusted out non-utility O&M and depreciation expense from NOI as shown on MFR Schedule G-2, page 2. The company has appropriately allocated costs to SeaCoast using the Modified Massachusetts Methodology ("MMM") with updated factors and directly charged SeaCoast for labor services provided. Witness Chronister explains this in greater detail in his testimony. Other non-utility operating revenues and expenses are recorded and budgeted to "below the line" FERC Accounts such as 408 and 416-418, which are excluded from the calculation of NOI.

Q. Has Peoples made appropriate adjustments to remove lobbying,

charitable contributions, sponsorships, and institutional and image advertising from the calculation of NOI for the 2026 test year?

A. Yes. The company budgets and records lobbying, charitable contributions, sponsorships, and institutional and image advertising expenses in FERC Account 426, which is excluded from NOI. Peoples budgeted $1.0 million to FERC Account 426 in the 2026 test year for social/civic dues, charitable contributions, sponsorships and donations, image advertising, political contributions and lobbying costs in industry dues. Peoples excluded this amount from 2026 NOI.

Q. What are the inflation, customer growth, and other trend factors that should be approved for use in developing 2026 test year NOI?

A. The Commission should approve inflation factors of 2.50 percent and 2.33 percent for 2025 and 2026, respectively. The Commission should approve average customer growth factors of 3.9 percent and 3.5 percent for 2025 and 2026, respectively, as supported by witness Buzard. The Commission should approve a payroll trending factor of 4.0 percent for both 2025 and 2026, as supported by witness Bluestone.

B. 2026 OPERATING REVENUES

Q. Are Peoples' forecasts of customers and therms by rate class for the 2026 test year appropriate?

A. Yes. These forecasts are discussed and supported by witnesses Fox and Buzard in their testimony and are reasonable and appropriate for ratemaking purposes.

Q. Has Peoples correctly calculated its projected revenues at current rates for the 2026 test year?

A. Yes. Peoples expects base revenues will be $459.1 million in the 2026 test year based on current rates. Customer classes and rates are discussed in witness Buzard's direct testimony. Document No. 9 of my exhibit shows base revenues by customer class that are included in adjusted NOI for the years 2024 through 2026. These revenues are reasonable and appropriate for ratemaking purposes.

Q. What amount of off-system sales net revenue did the company include in the 2026 test year to determine NOI?

A. The company included $2.6 million of OSS net revenue in the 2026 Budget. The company developed this amount using the sharing percentages that have been in place since its 2008

base rate proceeding, namely 25 percent of OSS net revenue being retained by the company and 75 percent going to offset expenses recovered through the PGA clause.

The $2.6 million budgeted for 2026 is in line with the level of OSS net revenues achieved in 2023 of $2.7 million and the $2.5 million budgeted for 2024 and approved in our last rate case proceeding. The company believes that this is an appropriate level of OSS net revenues for budget purposes and for use in the OSS incentive mechanism.

Q. How does the budgeted amount of OSS net revenues for 2026 compare to 2024 actual?

A. It is lower. Peoples experienced a significant increase in OSS net revenues in 2024 due to favorable natural gas price spreads and higher market demand conditions. These factors resulted in a $2.3 million increase above the $2.5 million OSS net revenues budgeted for 2024, which resulted in approximately $14.5 million offset to PGA expenses for customers. OSS net revenues budgeted for 2025 and 2026 assume that market conditions will moderate relative to 2024.

Q. Is the Commission considering any potential changes to the OSS sharing mechanism that would impact the projected 2026

net revenues retained by the company?

A. Yes. The company filed a petition on January 13, 2025 in Docket No. 20250026-GU that included a proposal to modify the sharing mechanism provided in Special Condition 3, Disposition of Net Revenues and Transaction Charges, of Rate Schedule OSS, from a 75/25 basis to a 50/50 basis as originally approved by the Commission. The change back to a 50/50 sharing mechanism would align the company with the off-system sales sharing mechanisms used by Florida Public Utilities Company and Florida City Gas, both of whom have maintained a 50/50 sharing since the inception of their OSS rate schedule in 1994 and 1996, respectively. If approved, the change to a 50/50 basis from 75/25 basis would increase the 2026 test year OSS net revenues from $2.6 million to $5.3 million and would reduce the amount of the company's 2026 revenue requirement to be recovered through base rates.

Q. Are there any new sources of revenues included in Other Revenue in MFR Schedule G-2, page 8, since the last rate case?

A. No. The sources of revenues included in Other Revenue on MFR Schedule G-2, page 8 are consistent with what was approved by the Commission in the last case. This includes miscellaneous service revenue, forfeited discounts, rent, gas plant leased

to others and fees. These amounts were developed using the budget process I previously described and are reasonable and appropriate for ratemaking purposes.

Q. What amount of Total Operating Revenues should be approved for the 2026 test year?

A. The Commission should approve 2026 test year adjusted Total Operating Revenues at current rates of $476.4 million as shown on MFR Schedule G-2, page 1. This reflects the $459.1 million base revenue, $2.6 million OSS margin and $14.7 million other operating revenue (after $0.1 million adjustment for lease of property held for future use shown on MFR Schedule G-2, page 2). Document No. 9 of my exhibit shows base revenues by customer class, OSS margin and other operating revenues included in adjusted NOI for years 2024 through 2026.

C. 2026 O&M EXPENSES

1. Overview and Reasonableness

Q. What total amount of O&M expenses should be approved for the 2026 test year?

A. The Commission should approve adjusted total O&M expense of $161.2 million for the 2026 test year as shown on MFR Schedule G-2, page 1, and MFR Schedule E-6, page 4. This amount is

reasonable and appropriate for ratemaking purposes.

Q. Please summarize the components of the O&M expense increase from the 2024 base year amount of $138.3 million to 2026 test year amount of $161.4 million reflected on MFR Schedule G-2, pages 12-19.

A. The primary components of the $23.1 million increase in O&M expense from the adjusted 2024 base year to the 2026 projected test year on MFR Schedule G-2, pages 12-19 are as follows:

Payroll	
(trended 4.0 percent/4.0 percent)	$4.4 million
Inflation	
(trended 2.50 percent/2.33 percent)	1.7 million
Customer Growth	
(trended 3.86 percent/3.58 percent)	2.0 million
Position replacements and additions	7.1 million
Other not trended, net (direct budget)	7.9 million
Total	$23.1 million

The percentages shown above in parentheses are the trending factors used to develop 2025 and 2026 amounts (2025/2026).

Q. Has Peoples analyzed overall O&M expense since the last

general base rate proceeding in comparison to the 2024 historical base year?

A. Yes, we have analyzed the company's 2024 historical base year O&M expense using the "O&M benchmark" approach the Commission uses to analyze the growth of adjusted O&M expense as compared to customer-growth and the CPI inflationary measures published by the U.S. Bureau of Labor Statistics.

The adjusted O&M expense for the 2024 historic base year was $138.1 million, which is $5.4 million below the calculated O&M benchmark of $143.5 million. The variance amounts by functional area are detailed on MFR Schedule C-34. The overall favorable variance compared to the benchmark reflects the company's efforts in 2024 to contain costs during a period of higher prices while meeting the strong demand for natural gas service with average customer growth at 4.23 percent in 2024, as shown on MFR Schedule C-37.

Q. Have you performed an analysis to support the reasonableness of the 2026 test year O&M expense?

A. Yes. I calculated an O&M benchmark comparison by function for 2026 using the Commissions' methodology applied on MFR Schedules C-34 and C-37 that consider customer growth and

inflation. This analysis extends the historic base year analysis described above through 2026 using the company's 2025 and 2026 Budget assumptions for customer growth and inflation and an O&M compound multiplier through 2026 of 1.3228. This analysis is shown on Document No. 10 of my exhibit.

Q. What does this extended analysis for 2026 show?

A. The extended analysis shows that the company's proposed 2026 overall O&M expense amount is reasonable. The company's proposed 2026 O&M expense of $161.2 million is below the 2026 benchmark amount of $163.0 million by approximately $1.7 million. My calculation of the 2026 benchmark included an adjustment to normalize out a $1.1 million credit from 2022 actual O&M expense related to the amortization of 2021 State Tax Reform impacts through FERC Account 407.

2. Functional Area Expenses

Q. What functions are reflected in Peoples' O&M expense and what witnesses are supporting the company's 2026 O&M expense?

A. Peoples classifies its O&M expense into FERC designated functions including Distribution, Customer Accounts, Sales and A&G Expense. In addition, the company has O&M expenses

related to FERC Accounts 413 and 407 that the company designates as "Other" O&M expense.

Witnesses O'Connor and Richard support the Distribution and Other O&M expense related to its leased CNG station (FERC Account 413) and a portion of A&G expenses in their direct testimony.

Witness Washington supports Customer Accounts and Sales O&M expense in her direct testimony.

Witness Bluestone supports A&G costs classified in FERC Account 926 (Employee pension and benefits) and FERC Account 920 (Administrative & General Salaries) in her direct testimony.

My direct testimony primarily supports the company's remaining A&G O&M expenses, bad debt expense, and FERC Account 407 regulatory debits and credits. Witness Chronister's testimony provides an overview of affiliate charges and the policies that guide how those charges are determined and supports the amounts charged to and from affiliates in the 2026 test year.

Q. What amount of Distribution O&M expenses should be approved

for the 2026 test year?

A. The Commission should approve Distribution O&M expense of $51.7 million for the 2026 test year as shown on MFR Schedule E-6, page 3. This amount is reasonable and appropriate for ratemaking purposes.

Q. What amount of Customer Accounts O&M expenses should be approved for the 2026 test year?

A. The Commission should approve Customer Accounts O&M expense of $21.8 million for the 2026 test year as shown on MFR Schedule E-6, page 4. This amount is reasonable and appropriate for ratemaking purposes.

Q. What amount of Customer Service & Information and Sales O&M expenses should be approved for the 2026 test year?

A. The Commission should approve Customer Service & Information and Sales O&M expense of $10.1 million for the 2026 test year as shown on MFR Schedule E-6, page 4, sum of lines 7 and 8. This amount is reasonable and appropriate for ratemaking purposes.

Q. What amount of A&G O&M expenses should be approved for the

2026 test year?

A. The Commission should approve A&G O&M expenses of $77.2 million for the 2026 test year as shown on MFR Schedule E-6, page 4, sum of lines 9 and 10. This amount is reasonable and appropriate for ratemaking purposes.

Q. What amount of Other O&M expenses should be approved for the 2026 test year?

A. The Commission should approve Other O&M expenses of $0.5 million for the 2026 test year as shown on MFR Schedule E-6, page 4, sum of lines 11 and 12. This amount is reasonable and appropriate for ratemaking purposes.

3. Not Trended Items

Q. What O&M expense items were not projected using the trending factors and how are those items reflected on MFR Schedule G-2, pages 12-19?

A. Replacement of vacant positions and adding new positions are reflected on "Payroll not trended" lines on MFR Schedule G-2, pages 12-19. In addition, certain non-payroll related O&M expense items do not follow the inflation and customer growth trend factors. In those cases, the company used the "Other

not trended" lines on MFR Schedule G-2, pages 12-19 to reflect O&M expense amounts for items that were not calculated using a trending factor.

Q. Has the company included a listing of the "Other not trended" items included in MFR Schedule G-2, pages 12-19?

A. Yes. Consistent with the listing of Payroll not trended items, the company has included a listing of the Other Not Trended items by account in MFR Schedule G-2, page 19b. The name of the witnesses supporting each Other not trended item in direct testimony is indicated on MFR Schedule G-2, page 19b.

Q. Please explain the "not trended" O&M expense items on MFR Schedule G-2, pages 19b-19e that you are supporting.

A. I am supporting the company's proposed 2026 amounts in FERC Account Nos. 904, 912, 920, 922, 923, 924, 925, 928, 930.2, and 407. Document No. 11 of my exhibit explains these FERC Accounts and why the company's forecasted amount are reasonable.

4. <u>Salaries and Benefit Expenses</u>

Q. What amount of salaries and benefits expense, including incentive compensation, should be approved for the 2026 test

year?

A. The Commission should approve salaries and benefits expense, including incentive compensation, for the 2026 test year in the amount of $92.5 million. This is the sum of 2026 test year (i) Payroll trended ($58.7 million) and Payroll not trended ($7.1 million) amounts as shown on MFR Schedule G-2, page 18b, (ii) net benefits costs included in FERC Account 926 ($16.6 million) as shown on MFR Schedule G-2, page 19b, and (iii) short-term employee incentive compensation included in FERC Account 920 ($10.1 million) as shown on MFR Schedule G-2, page 19b. These amounts reflect the employee count information supported by witnesses O'Connor, Richard, Washington, and Buzard and are reasonable. The dollar amounts are supported in the direct testimony of witness Bluestone.

Q. Does Peoples' pension and Other Post Employment Benefit ("OPEB") expense properly reflect capitalization credits in the 2026 test year? If not, what adjustments, if any, should be made?

A. Yes. The company's pension and benefits expenses for the 2026 test year of $16.6 million as shown in FERC Account 926 on MFR Schedule G-2, page 18a appropriately reflect capitalization credits and no adjustments should be made.

Details of gross FERC Account 926 benefit costs totaling $26.4 million in 2026, including pension and OPEB expense, which is reduced by $9.8 million of capitalization and clause related credits, are addressed in testimony of witness Bluestone.

Q. What amount of pension and OPEB expense should be approved for the 2026 test year?

A. The Commission should approve $3.1 million of pension and OPEB expense for the 2026 test year. This amount is included in FERC Account 926 O&M expense and is net of capitalization credits of $1.9 million from the gross $5.0 million of pension and OPEB expense in the 2026 Budget. This amount is reasonable and appropriate for ratemaking purposes.

Q. Did the company hire all of the positions/people approved in the company's last rate case?

A. Witness Bluestone addresses this question for the company as a whole and for the positions she supported in the last rate case in her direct testimony. Witness Buzard addresses this question for the finance area as interim Vice President of Finance. Witnesses O'Connor and Richard address this question for their areas in their testimony.

Q. What impact did adding replacement and new payroll positions have on 2025 and 2026 O&M expenses?

A. As shown on MFR Schedule G-2, page 18b, the "Payroll not trended" total O&M expense that reflects the replacement and added Peoples payroll positions in 2025 and 2026 is $3.0 million and $7.1 million, respectively. As reflected in the detail by FERC Account on MFR Schedule G-2, pages 19c-19e, this represents 80 positions to be filled by the end of 2025, and another 89 positions to be filled in 2026. The payroll costs for many of these positions are not all charged to O&M expense and the O&M expense impact per employee replaced or added can vary greatly depending on the position. These positions are discussed further by the witnesses indicated on MFR Schedule G-2, pages 19c-19e.

Q. Does filling some of these payroll positions at Peoples have any offsetting reductions in 2026 O&M expense levels?

A. Yes. There are Contract Administration related positions that result in a $140,000 reduction in shared services from Tampa Electric in 2026. Peoples also plans to add operations-related positions for locating, meter technicians, and meter reading that will reduce costs paid to outside contractors. This insourcing of operations resources is discussed in the

direct testimony of witness O'Connor. Moreover, several positions included in witness Bluestone's testimony will have skills and capabilities that would otherwise be procured through more expensive outside contractors.

5. Affiliate Transactions

Q. Does Peoples' 2025 and 2026 O&M expenses include affiliate charges from Tampa Electric?

A. Yes. Peoples' O&M expense includes charges for various shared services provided by Tampa Electric. Costs are either charged as direct costs charged to an affiliate ("Direct Charges"); indirect costs for services assessed to more than one affiliate using one or more formulas for assessment ("Assessed Charges"); or allocated to multiple affiliates ("Allocated Charges") using a variant of the MMM. Tampa Electric also distributes Customer Experience shared services costs to Peoples. This topic is addressed in the direct testimony of witness Chronister.

Q. What amount of costs and charges to and from affiliates should be approved for the 2026 test year?

A. As shown on MFR Schedule G-2, page 19b, the Commission should approve $11.0 million of Assessed Charges, $4.9 millon of MMM

Allocated Charges, $2.3 millon of non-CRMB asset-usage fees, and $2.6 millon of CRMB asset-usage fees for the 2026 test year received from Tampa Electric. As shown on MFR Schedule G-2, page 19b, the Commission should approve $3.6 million of direct and assessed charges from Emera.

As shown on MFR Schedule G-2, page 19b, the Commission should approve $3.7 million of total MMM allocated charges sent to SeaCoast ($3.1 million) and TECO Partners, Inc. ($0.6 million) for the 2026 test year. All of these amounts are reasonable and are supported in the direct testimony of witness Chronister.

6. Rate Case Expenses

Q. What amount of rate case expenses does the company expect to incur for this case?

A. As reflected in MFR Schedule C-13, the company projects $2.7 million of rate case expense for this case in addition to the $0.9 million of unamortized rate case expense as of December 31, 2025, from the prior rate case. The $2.7 million of rate case expense incurred for this case is reasonable given the expected complexity of this case, the company's prudent use of outside witnesses, and the actual $2.8 million cost of the company's last rate case.

Q. What amount and amortization period for Peoples' rate case expense should be approved for the 2026 test year?

A. The Commission should approve an unamortized rate case expense of $3.6 million, which includes the $2.7 million of rate case expense Peoples expects to incur for this case plus the unamortized rate case expense balance from the prior rate case of $0.9 million, as shown on MFR Schedule C-13. The Commission should approve an amortization period of two years and $1.8 million of amortized rate case expense for the 2026 test year.

7. Storm Cost Accrual and Reserve Target

Q. Is an annual storm expense accrual of $380,000 and storm reserve target of $3.8 million approved by the Commission in the last rate case still reasonable?

A. Yes. The annual accrual of $380,000 is supported by (i) a 10-year history of Incremental Cost and Capitalization Approach methodology ("ICCA") storm costs updated through 2024, and (ii) the 2022 Storm Damage Self-Insurance Reserve Study filed with the Commission in January 2022 ("2022 Study"), which are both included in Document No. 12 of my exhibit.

The 2022 Study assumed the current annual reserve accrual of

$380,000 and determined Peoples expected annual storm cost to be $364,000 with a 22 percent chance of exceeding $400,000 in any year. Peoples' distribution system was impacted by three storms following completion of the 2022 Study, including Hurricane Ian in 2022 and Hurricanes Helene and Milton in 2024. The average annual ICCA costs (as specified in Rule 25-7.0143, F.A.C.) over the past 10 years have been approximately $690,000. Excluding Hurricane Michael, the average annual ICCA costs over the past 10 years have been approximately $370,000. The annual storm expense accrual of $380,000 approved by the Commission in the last rate case is therefore still reasonable and should be approved by the Commission in this case.

Q. What amount of annual storm damage accrual and storm damage reserve target should be approved for the 2026 test year?

A. The Commission should approve an annual storm damage accrual of $380,000 and a storm reserve target of $3.8 million.

8. Economic Development Expenses

Q. What amount of Economic Development expense should be approved for the 2026 test year and for future surveillance reporting purposes?

A. The Commission should approve economic development expenses for the 2026 test year of $388,740, which, pursuant to Rule 25-7.042, F.A.C., is 95 percent of the expenses to be incurred for the 2026 test year. The removal of the 5 percent of economic development expenses incurred ($20,460) is shown on MFR Schedule G-2, page 2. The unadjusted amount of economic development expense in the 2026 test year is $409,200 as compared to $366,780 in 2024.

In accordance with Rule 25-7.042, F.A.C., Peoples also proposes that for subsequent years its economic development expense amounts reported for surveillance reports and earnings review calculations be limited to the greater of: (a) $388,740 escalated for customer growth since 2026 or (b) 95 percent of the expenses incurred for the reporting period, so long as such does not exceed the lesser of 0.15 percent of gross annual revenues or $3 million (approximately $1.2 million for 2026).

Witness Buzard discusses Economic Development expenses further in his direct testimony.

9. Officers and Directors Liability Expenses

Q. What amount of Directors and Officers Liability Insurance and Board of Director expense for the 2026 test year should be

approved?

A. The Commission should approve $73,000 of Directors and Officers Liability Insurance expense and $137,253 of the company's Board of Directors expense for the 2026 test year These amounts are reasonable and appropriate for ratemaking purposes.

D. 2026 DEPRECIATION AND AMORTIZATION EXPENSES

Q. Should the currently prescribed depreciation rates be used to calculate the company's 2026 test year revenue requirement?

A. Yes. The Commission approved depreciation rates in Order No. 2023-0388-FOF-GU should be used to calculate the 2026 test year revenue requirement. The Commission, however, should also consider the company's proposal for creating Sub-account 303.02 for its WAM system discussed earlier in my testimony.

Q. Should Peoples' proposal to establish a new Sub-account and change the amortization period from 15 to 20 years for its WAM system be approved? If so, what amortization rate and implementation date should be approved?

A. Yes. The new Sub-account 303.02 with an amortization rate of 5.0 percent should be approved for its WAM system with an

effective date of January 1, 2026. The impact would be a reduction to the 2026 test year depreciation and amortization expense of $0.7 million as explained earlier in my testimony.

Q. Is vehicle related depreciation expense included in the $106.2 million of unadjusted depreciation and amortization expense shown on MFR Schedule G-2, page 1?

A. No. As shown on the supporting MFR Schedule G-2, page 23, vehicle depreciation is not included in the $106.2 million of unadjusted depreciation and amortization expense shown on the recap MFR Schedule G-2, page 1. Vehicle depreciation expense is charged through a transportation cost allocation to O&M and capital expenditures and is not included in depreciation expense in determining NOI. This is consistent with the approach in the company's prior rate cases.

Q. What amount of depreciation and amortization expense should be approved for the 2026 test year?

A. The Commission should approve an adjusted depreciation and amortization expense of $105.7 million for the 2026 test year as shown on MFR Schedule G-2, page 1, line 6. This excludes the impact of the company's proposal to create a new Sub-account 303.02 for the WAM system, which would be a reduction

of $0.7 million in the 2026 test year.

E. 2026 TAXES OTHER THAN INCOME TAXES

Q. What total amount of Taxes Other Than Income Taxes should be approved for the 2026 test year?

A. The Commission should approve adjusted total Taxes Other Than Income Taxes of $37.7 million for the 2026 test year as shown on MFR Schedule G-2, page 1. This includes $29.3 million for property taxes that I discussed earlier in my testimony and $8.4 million for other taxes.

F. 2026 INCOME TAX EXPENSE

Q. What amount of Parent Debt Adjustment is required by Rule 25-14.004, Florida Administrative Code, for the 2026 test year?

A. The Commission should approve a Parent Debt Adjustment as contemplated by Rule 25-14.004, F.A.C., of $3.0 million for the 2026 test year, which is shown on MFR Schedule C-26. Peoples calculated the Parent Debt Adjustment using the capital structure of Emera and same methodology used in the prior case. Per Rule 25-14.004, F.A.C., the equity amount used in the Parent Debt Adjustment calculation excludes the company's retained earnings. The Parent Debt Adjustment decreased the company's 2026 revenue requirement by

approximately $4.0 million.

Q. What total amount of Income Tax expense should be approved for the 2026 test year?

A. The Commission should approve adjusted Income Tax expense totaling $24.1 million for the 2026 test year, as shown on MFR Schedule G-2, page 1, sum of lines 10-13.

G. OTHER

Q. Has the company had any gains or losses on the disposition of plant or property that is being amortized in the 2026 test year?

A. Yes. The company had two transactions during 2022 resulting in a net gain on disposition of plant or property that will continue to be amortized in 2026 and which are shown on MFR Schedule C-16. These gains will increase 2026 NOI and decrease the company's proposed 2026 incremental annual revenue increase. The company has included approximately $0.2 million of amortized net gain on sale in the 2026 test year as shown on MFR Schedule G-2, page 1. The company has amortized the net gain on sale of plant or property over a four-year period in accordance with page 7 of Commission Order No. 2003-0038-FOF-GU, issued on January 6, 2003, in Docket No. 20020384-

GU.

H. 2026 TOTAL OPERATING EXPENSES

Q. What amount of Total Operating Expense should be approved for the 2026 test year?

A. The Commission should approve adjusted Total Operating Expense of $329.4 million for the 2026 projected test year as shown on MFR Schedule G-2, page 1.

VIII. 2026 REVENUE REQUIREMENT

Q. What annual revenue increase is Peoples requesting for 2026?

A. The company seeks a total incremental annual revenue increase for 2026 of $103.6 million and a net incremental annual revenue increase of $96.9 million. The difference arises from the company's proposal to transfer approximately $6.7 million of revenue requirements related to Rider CI/BSR investments into base rates and to reset the Rider CI/BSR surcharge, which is discussed earlier in my testimony and shown in Document No. 5 to my exhibit.

Q. Please explain how you calculated the company's proposed 2026 revenue requirement and revenue deficiency?

A. The derivation of the company's projected 2026 revenue deficiency is summarized in MFR Schedule G-5. I determined the 2026 revenue deficiency by multiplying the projected test year rate base by the proposed overall rate of return to arrive at the NOI required. I then compared the required 2026 NOI and the forecasted 2026 NOI to identify the 2026 NOI deficiency. I then multiplied the 2026 NOI deficiency by the NOI Multiplier, which accounts for income tax gross-ups, bad debt expense, and regulatory assessment fees, to determine the forecasted base revenue deficiency.

Q. What revenue expansion factor or NOI multiplier, including the appropriate elements and rates, should be approved for the 2026 test year?

A. As shown on MFR Schedule G-4, the Commission should approve a revenue expansion factor and NOI Multiplier of 0.740704 and 1.3501, respectively, for the 2026 test year based on the following elements and rates: regulatory assessment fee (0.5 percent), bad debt rate (0.2830 percent), state income tax rate (5.5 percent) and federal income tax rate (21.0 percent).

Q. Why is the company's proposed 2026 incremental revenue increase needed?

A. The total $103.6 million revenue increase is necessary for Peoples to: (i) continue to provide safe and reliable natural gas distribution service at customer service levels its customers have come to expect; (ii) maintain the company's financial integrity and access to reasonably priced debt capital while funding investments to serve customers; and (iii) have the opportunity to earn a fair return on its investment. Witness Chronister explains these and other reasons for our rate increase request in his direct testimony.

Q. What amount of annual operating revenue increase should be approved for the 2026 test year?

A. The Commission should approve the $103.6 million annual operating revenue increase for the 2026 test year as shown on MFR Schedule G-5. This reflects moving $6.7 million of Rider CI/BSR-related revenues into base rates, as discussed earlier in my testimony.

Q. Should Peoples be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records which will be required as a result of the Commission's findings in this rate case?

A. Yes.

IX. SUMMARY

Q. Please summarize your prepared direct testimony.

A. My testimony supports the company's proposed 2026 projected test year for ratemaking purposes. I discussed the 2025 and 2026 budgeting process used to develop the operating and capital expenditures necessary to safely and reliably serve Peoples' customers. I presented the calculation and adjustments used in determining the company's 2026 test year revenue requirement, as well as the methodology for transferring Rider CI/BSR revenue requirements to base rates. I supported and discussed the company's Rate Base, Capital Structure, Cost-Of-Capital, Net Operating Income, Revenue, O&M Expense, and Income Taxes. I also explained the adjustments and regulatory accounting treatments being carried forward from prior rate proceedings.

Peoples requests a base revenue increase of $103.6 million, or an incremental amount of $96.9 million after considering the transfer of $6.7 million related to Rider CI/BSR, effective the first billing cycle of January 2026. This proposed increase is critically important to enable the company to maintain its financial integrity and support the

growth of Florida while continuing to provide safe, reliable, responsible, and efficient service and to meet customer expectations.

Q. Does this conclude your prepared direct testimony?

A. Yes, it does.

(Whereupon, prefiled direct testimony of Timothy O'Connor was inserted.)

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20250029-GU

IN RE: PETITION FOR RATE INCREASE

BY PEOPLES GAS SYSTEM, INC.

PREPARED DIRECT TESTIMONY AND EXHIBIT

OF

TIMOTHY O'CONNOR

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OF

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

TIMOTHY O'CONNOR

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

A. My name is Timothy O'Connor. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Peoples Gas System, Inc. ("Peoples" or the "company") as Vice President, Safety, Operations, and Sustainability.

Q. Please describe your duties and responsibilities in that position.

A. I am responsible for all aspects of utility operations for Peoples to safely operate and maintain our transmission and distribution assets across the company's 14 service areas. My responsibilities consist of the following areas: gas operations, safety, compliance, emergency management, sustainable operations, business operations support services ("BOSS"), and environmental. My duties include overseeing the preparation of my areas' capital and operating budgets and planning and directing

the company's activities. I am accountable for approximately 500 team members, including management, administrative, and field team members dedicated to safety, compliance, customer service, distribution maintenance, meter reading, locating, compliance, leak surveying, and training, among other responsibilities. We refer to these team members collectively as the "Gas Operations" team. Since the last rate case, I assumed responsibility for public safety, team member safety, compliance, emergency response, and damage prevention. We transferred Peoples' External Affairs team to the Regulatory Affairs team when I received responsibility for Safety and Compliance.

Q. Please provide a brief outline of your educational background and business experience.

A. I earned Bachelor of Science degrees in Finance and Economics from New York University and a Master of Business Administration degree from Fordham University. I began my career in the energy industry in 2006 when I joined Emera Maine (formerly Bangor Hydro-Electric Company) and thereafter held numerous positions of increasing responsibility in accounting, strategy development, and business development with other

subsidiaries of Emera Incorporated ("Emera"). I joined Peoples in November 2016 as Vice President of Business Development, added the role of Director of Operations to my responsibilities in January 2021, and became Vice President of Operations, Sustainability and External Affairs in 2022. I assumed my current role effective April 1, 2024.

Q. What are the purposes of your prepared direct testimony in this proceeding?

A. The purposes of my direct testimony are to:

1. Describe the company's Gas Operations functions and the factors influencing these parts of the business;
2. Describe Peoples' achievements and changes in Gas Operations since the company's last rate case;
3. Demonstrate that the company's proposed levels of operations and maintenance ("O&M") expenses for Gas Operations for the 2026 projected test year are reasonable and prudent;
4. Detail how the company invests capital in Gas Operations to promote safe, efficient, and reliable service to our customers; and
5. Present information supporting Minimum Filing Requirement ("MFR") Schedules I-1, I-2, and I-3.

My direct testimony demonstrates that Gas Operations has maintained an excellent safety record, high levels of customer service, and is mitigating O&M expense through more efficient operations, including implementation of our Work and Asset Management ("WAM") system and insourcing of work performed by contractors. Peoples is managing its operations functions efficiently and prudently.

Q. Did you prepare any exhibits in support of your prepared direct testimony?

A. Yes. Exhibit No. TO-1, entitled "Exhibit of Timothy O'Connor," was prepared under my direction and supervision. My exhibit consists of seven documents:

Document No. 1	List of Minimum Filing Requirement Schedules Sponsored or Co-Sponsored by Timothy O'Connor
Document No. 2	Year-end Operations and Safety Team Members Summary
Document No. 3	Map of Peoples' Operations Service Areas
Document No. 4	Gas Operations Key Performance Indicators

Document No. 5	Gas Operations O&M Analysis
Document No. 6	Positions Approved and Filled by FERC Account
Document No. 7	Projected Capital Expenditures by Type

The contents of my exhibit were derived from the business records of the company and are true and correct to the best of my information and belief.

Q. Are you sponsoring or co-sponsoring any MFR Schedules?

A. Yes. I sponsor or co-sponsor the MFR Schedules listed in Document No. 1 of my exhibit. These include co-sponsoring MFR Schedules C-38, G-1 pages 23 and 26, G-2 pages 12a-14 and 19a-g, G-6, and I sponsor MFR Schedules I-1, I-2, and I-3. The information reflected on these schedules was taken from the business records of the company and is true and correct to the best of my information and belief.

I. GAS OPERATIONS OVERVIEW

Q. Please describe the Gas Operations team.

A. The Gas Operations team consists of 504 team members representing 14 service areas serving over 508,000

customers. As shown in Document No. 2 of my exhibit, 427 team members are in Field Operations, 34 team members are in Safety, and 43 team members are in centralized roles for Gas Administration, including sustainability, as of year-end 2024. My testimony will describe each of these teams and their responsibilities. A map showing Peoples' north and south territories and service areas is included as Document No. 3 of my exhibit.

SAFETY TEAM

Q. Please describe the company's Safety team within Gas Operations.

A. The Safety team has six groups. These are: (1) Occupational Safety and Health Administration ("OSHA") Workplace Safety; (2) Contractor Safety; (3) Assurance; (4) Damage Prevention and Public Awareness; (5) Pipeline Safety Compliance; and (6) Emergency Management. The Safety Team has delivered a high level of performance for Peoples for the last several years.

Q. What role does safety play at Peoples?

A. Safety is the top priority at Peoples and is foundational to all decision-making and planning.

Peoples goal is to prevent all serious injuries related to our business considering the public, our customers, our team members, and contractors. We pursue this goal by strictly adhering to the industry standard Pipeline Safety Management System ("PSMS") approach established by the American Petroleum Institute's Recommended Practice 1173. The PSMS provides 10 essential risk-based requirements for a complete safety program. Peoples developed its systems, processes, and culture around PSMS through a "Plan, Do, Check and Act" cycle. Peoples created a culture of continuous improvement around safety to ensure that we adhere to the PSMS.

Q. How many team members work in Safety?

A. As of the end of 2024, 34 team members work in Safety as shown in Document No. 2 of my exhibit.

Q. What safety and compliance regulations impact how Peoples conducts business?

A. Peoples is subject to pipeline safety regulations promulgated by the federal government and the state of Florida. The most significant regulations are those adopted by the Pipeline and Hazardous Materials Safety

Administration ("PHMSA"), which is part of the United States Department of Transportation. The PHMSA develops and enforces regulations for the safe, reliable, and environmentally sound operation of gas pipelines. The compliance requirements set by PHMSA for local distribution companies ("LDC") that transport natural gas include: regulations related to integrity management; incident management and communications; engineering design; operator qualifications ("OQs"); pipeline inspections and testing; records retention; and others.

The Florida Public Service Commission ("Commission") also conducts annual reviews of Peoples' compliance with the requirements of 49 C.F.R. § 191 and 192 and Chapter 25-12 of the Florida Administrative Code.

Peoples is also subject to workplace safety regulations imposed by OSHA and environmental regulations enacted by federal and state environmental regulatory agencies.

Q. How do these safety regulations and compliance requirements influence the company's cost of doing business?

A. Complying with federal and state safety regulations is

essential to ensure the safety of our customers and the public. However, meeting these compliance requirements also contributes to the cost of constructing and operating assets and increases the company's O&M expense.

To illustrate, regulations may require the company to install new equipment or design and construct facilities to specific standards. On the O&M side, complying with these regulations requires additional labor and travel expenses. The company's Gas Operations team is responsible for a range of activities and performs hundreds of thousands of compliance inspection schedules annually to comply with federal and state requirements. These inspections include conducting leak and atmospheric corrosion surveys, continuing surveillance surveys, cathodic protection readings, odorant tests, and regulator, valve, and meter inspections. These activities also demand extensive records management.

Peoples allocates resources to comply with federal and state regulations as soon as new rules or amendments are proposed. It also monitors rule developments to assess potential impacts on its gas system and operations and provides input to ensure customer costs and benefits are considered.

FIELD OPERATIONS

Q. Please describe the company's Field Operations teams.

A. As of year-end 2024, Peoples served over 508,000 customers in 43 counties across Florida. The company's Gas Operations team divides these customers into two territories (North and South), which are further divided into 14 service areas. A map showing these territories and service areas is included as Document No. 3 of my exhibit.

Field Operations has four basic operating functions: (1) customer service; (2) distribution maintenance; (3) compliance; and (4) damage prevention and emergency response. Field Operations represents our team members primarily deployed in the 14 service areas.

The Field Operations team has continued to provide a high level of customer service and maintain the reliability of our system even as our customer base grows.

Q. How many team members work in Field Operations?

A. As of the end of 2024, 427 team members worked in Field Operations. Document No. 2 of my exhibit provides a

detailed breakdown of team members by service area.

Q. What customer service functions do Field Operations perform?

A. Members of Field Operations are responsible for a range of customer service field activities. This includes installing new meters, meter changeouts, meter readings, conducting meter investigations, account turn-ons, account turn-offs, handling dunning disconnects and reconnects, and meter and other trouble investigations. Unlike electric utilities that are increasingly adopting digital and remote customer service solutions, our gas field operations require technicians to be on-site to serve our customers. As a result, Gas Operations team members frequently interact with our customers. On average, Peoples performs 230,000 various customer service work orders each year. These orders include new meter installations, meter turn-ons and turn-offs, responses to odor and carbon monoxide complaints, bill investigations, and meter maintenance. Peoples values these customer interactions, and the company's commitment to exceptional customer service is second only to its commitment to safety.

Q. Please explain the distribution maintenance activities performed by Field Operations.

A. Field Operations is responsible for the safe and efficient operation and maintenance of the company's gas distribution system. This system includes gas mains, laterals, service lines, and equipment such as meters, regulators, and pressure monitoring devices. Field Operations conducts routine pipeline and meter maintenance and monitors and maintains system integrity. Their activities include leak repair, equipment replacement, cathodic protection, valve maintenance, valve relocation related to road construction, regulator and meter replacement on large volume meter installations, cleaning and painting above ground facilities, adjusting pipe clearances for construction by others, and performing various other maintenance tasks.

Q. What pipeline safety compliance activities are performed by the Field Operations team?

A. As a LDC regulated by PHMSA and the Commission, Peoples must complete annual or periodic inspections, surveys, and associated records management. These include main and service leak surveys, atmospheric corrosion surveys,

continuing surveillance surveys, cathodic protection inspections, odorant tests, city gate station and district regulator station inspections, and valve and meter inspections.

Q. What damage prevention and gas emergency response functions are performed by Field Operations?

A. Peoples' transmission and distribution systems operate and serve customers across the major metropolitan areas of Florida and are located underground within rights-of-way, easements, and private property. The substantial amount of new small commercial and residential developments in Florida has led to significant excavation activities to build and expand roads and other infrastructure. Field Operations is responsible for locating our system infrastructure to help ensure this excavation activity can proceed safely. Field Operations is also responsible for emergency response when excavation activities damage our distribution system.

Q. What are the regulatory or legal requirements for Peoples to perform damage prevention and emergency response activities?

A. Peoples is required to locate our underground gas distribution and transmission systems within two full business days of receiving a locate request through Florida's Sunshine State One Call 811 System ("811 System"). Peoples must also comply with PHMSA's Public Awareness requirements.

Peoples has implemented a damage prevention program in accordance with 49 C.F.R. § 192.614 and Chapter 556, Florida Statutes. Peoples has also developed pipeline emergency procedures and maintains communication with public safety officials as required by 49 C.F.R. § 192.615. For public education, we execute an ongoing education program as required by: Section 25-12.009, Florida Administrative Code; 49 C.F.R. § 192.616; and API RP 1162.

GAS ADMINISTRATION

Q. Please describe the Gas Administration team.

A. Gas Administration consists of centralized team members who support our field operations. This group consists of the BOSS team, the Technical Training team, and the Sustainable Operations team.

Q. How many team members work in Gas Administration?

A. A total of 43 team members worked in Gas Administration as of year-end 2024 as shown on Document No. 2 of my exhibit.

Q. What is the BOSS Team, and how does it support the activities of Gas Operations and the company?

A. The BOSS team optimizes work deployment and resource utilization to schedule and dispatch work for Gas Operations. The team oversees the creation, implementation, publication, and measurement of work and resource plans for all internal and external resources across Gas Operations. The team is heavily engaged in the Customer Relation & Billing system and the WAM system functionality and improvements and is responsible for strategy and process development to optimize operations across all gas operating divisions.

Q. How many team members work in BOSS?

A. At the end of 2024, the BOSS team consisted of 27 team members. This includes two Managers, two Supervisors, 16 Dispatchers, five Customer Specialists, and two WAM

Specialists.

Q. What work is performed by the Gas Operations Technical Training team ("Technical Training")?

A. The Technical Training team is responsible for providing apprentices and experienced utility technicians with PHMSA required OQ training and testing, which ensures that Gas Operations team members are competent to perform specific natural gas-related tasks. The frequency of required task-level training depends on the complexity and associated hazards of the task and ranges from annually to triennially. The Technical Training team provides instruction on the 52 covered tasks needed so technicians can comply with OQs associated with their job duties. In addition to the covered tasks, there are 68 tasks that are not covered by the apprentice program but are administered by the OQ coordinators for our teams.

Q. How does the company train its technicians?

A. Peoples owns and operates a simulated, fully functional natural gas system training facility called GasWorX. The company also uses a standardized training program with classroom instruction and field experience to train all

apprentices. Due to our growing workforce, Peoples plans to expand our training facilities, which I will detail later in my testimony.

Technician new hires begin as apprentices and progress through six levels of classroom and field study to attain OQs. This career development program is a talent attraction tool for new team members to learn and develop critical skills and contribute to the safe and reliable operation of our system. Our training program is accredited by the Florida Department of Education and each graduate receives 30 credit hours towards an Associate degree. It requires a minimum of approximately 24 months to adequately train a team member to respond to all operational needs of the gas system, including being "on call." This program is essential because Florida lacks a labor pool of trained gas technicians, making it necessary to grow and train our workforce organically to meet customer demand without relying on expensive third-party contractors.

Training our team members does not stop when they achieve fully operator qualified status. Our Gas Operations team members undergo routine, periodic training to reinforce our safe work practices, and learn how to use new

technology to comply with new safety and damage prevention requirements.

By the end of 2024, the Technical Training team comprised of 10 individuals, as indicated in Document No. 2 of my exhibit. The team included one Manager, two Supervisors, six Trainers/Coordinators, and one Administrative Support Professional.

Q. Please describe the Sustainable Operations team.

A. The Sustainable Operations team within Gas Administration supports the company's services provided to renewable natural gas ("RNG") and compressed natural gas ("CNG") customers. The CNG operations team operates and maintains various CNG fill stations across the service territory and various compressors related to RNG and CNG facilities. Additionally, there are four team members supporting the WAM system. The Sustainable Operations team consisted of six team members as of year-end 2024, as shown in Document No. 2 of my exhibit.

II. GAS OPERATIONS ACCOMPLISHMENTS SINCE LAST RATE CASE

Q. Please summarize Peoples performance in the Gas Operations area since 2023.

A. Peoples' Gas Operations team is proud of our performance in serving our customers, team member and contractor safety, customer satisfaction, compliance, and leak and emergency response since 2023. Peoples tracks its performance in these areas through several key indicators, which are depicted on Document No. 4 of my exhibit. Like any high-performing company, we also believe in continuous improvement and recognizing areas for growth.

Q. Please describe the company's customer growth.

A. Peoples expects its fastest-growing areas for 2025 and 2026 to be Jacksonville, Sarasota, and Ft. Myers (SW FL), with annual growth rates ranging from seven percent to nine percent. System-wide customer growth is projected to be 3.9 percent in 2025 and 3.5 percent in 2026. Peoples' witness Luke Buzard provides additional information about the company's customer growth in his prepared direct testimony.

Q. How has this growth impacted Gas Operations?

A. Growth significantly increases the workload of the Gas Operations team. There are several metrics which

illustrate this impact, such as miles of pipeline installed, compliance orders, and the number of damage incidents to our system. The impact of growth varies across our system, as our fast-growing service areas are subject to higher levels of construction activity.

Q. How has Peoples' distribution system grown over the last few years?

A. Peoples installed approximately 1,260 miles of new natural gas main and service lines from January 1, 2023 to December 31, 2024. In 2023, the company welcomed approximately 20,905 new residential customers and 884 small commercial customers, reflecting increases of 4.9 percent and 2.3 percent, respectively. In 2024, the company added another 17,845 residential customers and 689 small commercial customers, representing increases of 4.0 percent and 1.7 percent, respectively.

Q. What are locate tickets and how many tickets did Peoples respond to in 2024?

A. Construction contractors and others planning to excavate can call the 811 System and submit a request to locate Peoples' underground facilities prior to excavation

associated with new residential and commercial construction, new road construction, road widenings, utility undergrounding, landscaping, fence installation, etc.

The company responded to 541,912 locate tickets in 2024. This marks a slight reduction in the number of locate tickets compared to prior years thanks in part to Peoples' efforts to persuade contractors to request locate tickets closer to the actual time they are needed, instead of flooding the 811 System with repetitive locate requests. This is a positive development, as it allows Peoples to concentrate on locate tickets that correspond with immediate construction activities.

Peoples also receives locate tickets for longer portions of our system. Previously, we may have received multiple locate tickets for adjacent areas but are now receiving a single ticket for large areas. This change results in a lower volume of locate tickets, but it does not necessarily decrease the amount of labor required to complete the locate tickets within the required two full business days.

SAFETY

Q. Please describe the company's safety record and accomplishments since 2023.

A. Peoples' safety record remains exemplary. Since our last rate case, Peoples has not had a significant injury or fatality to our team members or our contractors.

Peoples earned a Safety Certificate from the American Gas Association for several consecutive years for a DART (Days Away, Restricted, Job Transfer) - Rate below industry average.

From 2022 to 2024, the total OSHA recordable injuries remained below our targets. As illustrated in Document No. 4 of my exhibit, the OSHA recordable incident rate in 2023 experienced a slight increase compared to 2022, while 2024 showed minimal change relative to 2023. More than half of the injuries recorded in 2024 were low-severity injuries, such as insect stings and non-avoidable motor vehicle accidents. The remaining injuries primarily involved muscle sprains and strains.

Q. Please explain Peoples' avoidable vehicle accident rate performance.

A. Peoples' avoidable vehicle accident rate is a key performance indicator for safety given the fact that our team members drive over nine million miles a year and given that driving is one of the most dangerous activities those team members complete. Although the 2024 rate increased slightly year over year, it remained lower than our 5-year average (2020-2024).

Q. Why did the avoidable vehicle accident rate increase in 2024?

A. Beginning in 2022, Peoples outfitted our vehicles with an array of safety equipment including strobes, lights, and safety markings. Additionally, advanced technologies such as telematics, cameras, and in-cab coaching systems have been implemented to alert drivers to potential hazards. This investment in enhanced safety technology features has allowed for video data collection and has contributed to increased reporting of minor vehicle accidents relative to prior years. For instance, a technician may have not recorded a minor bump of a light post before we installed monitoring equipment but now is more likely to report the event. This increased transparency enables us to address potential hazards more proactively, for instance by reviewing video footage with team members,

which helps ensure the ongoing safety of our workforce and the general public.

Q. Please describe the company's performance against the Commission's safety rules.

A. One of our goals is to have zero violations annually from the Commission. Peoples has reached very close to zero violations annually over the last two years as shown on Document No. 4 of my exhibit. We strive to advance our compliance technologies, controls, quality assurance, and related processes to achieve zero violations.

This strong safety performance is particularly impressive given our increasing workload, the growth in our team member count, and our expanding customer base as I previously described. This illustrates how Peoples' intense focus on safety, while executing an increased workload, has resulted in a low avoidable vehicle accident rate, zero serious injuries, and minimal violations from the Commission.

Q. Has Peoples experienced any major pipeline safety incidents since 2023 that were not due to a third-party damage incident?

A. In 2023, Peoples had one incident not related to third-party damages that exceeded the PHMSA reporting threshold. On December 18, 2023, an active leak was identified originating from a 6-inch polyethylene main in St. Johns County that resulted in an outage affecting over 1,500 customers. The cause of the leak was determined to be a fusion failure and was made safe within hours. While customer outages were necessary, there were no injuries associated with the event, which illustrates Peoples' commitment to protecting its team members and the communities they serve. The incident had a total cost of $278,933.

Q. How many damages did Peoples experience in 2023 and 2024?

A. Peoples experienced 1,707 pipeline damage incidents in 2023 and 1,719 in 2024, which is a significant reduction from the 1,810 damage incidents in 2022. These damage statistics are shown on Document No. 4 of my exhibit.

Q. How many significant pipeline damages were caused by third-parties since 2023?

A. In 2024, Peoples responded to three significant third-party damage incidents which triggered notification to

PHMSA due to cost to repair exceeding thresholds.

On March 14, 2024, a third-party contractor driving steel pilings struck a four-inch polyethylene high priority gas main in Jupiter. Peoples completed a permanent replacement of the damaged pipeline on March 29, 2024. While the contractor did have a valid locate ticket, Peoples asked the contractor to contact the company prior to initiation of excavation; however, no contact was received to coordinate and discuss the contractor's installation. This incident had a total cost of $250,000.

On April 5, 2024, a third-party contractor attempting to drive steel sheet pilings into the ground struck a 10-inch steel high priority gas main in Miami. Peoples' response involved a 10-day repair, which included installing a new eight-inch steel pipe under the Miami River. This incident required significant traffic management, contractor resources and high levels of coordination with emergency management personnel within the city and county. The subcontractor performing the work did not request a locate ticket; further, a vertical pipeline marker was present and visible at the time of the incident. This incident had a total cost of $4.3 million.

On June 26, 2024, Peoples received a leak report that a third-party contractor had hit a six-inch steel gas main while attempting to directional drill in Jacksonville. Following Peoples' immediate response, the damaged section of the six-inch steel pipe was fully replaced on July 6, 2024. The contractor performing the drilling was found to have failed to maintain clearance after verifying the markers. This incident had a total cost of $200,000.

Q. Please describe the impacts of these damages on the company.

A. The impacts associated with these damages are substantial. Direct costs to respond to and repair damage to the system include labor, materials, equipment, transportation, outside services or contractors, logistics, lodging, meals, and other related items. Additionally, there are substantial indirect costs, including missed opportunities to serve customers, delayed compliance and maintenance activities, and inability to perform locates for other construction projects. When Peoples needs to respond to a damage incident, we often must stop our other work. This disruption creates inefficiencies in our operations because our team may have scheduled work but must shift

their focus to respond to a damage incident, leading to the rescheduling of other work, inefficiency and increased costs. The volume of emergency responses also creates significant non-discretionary work requirements for the Gas Operations team.

Q. What action is the company taking to reduce damages?

A. Peoples is actively working to improve its risk reduction efforts and minimize damages even as the company's distribution system grows. To accomplish this, Peoples has identified "high priority" pipelines, which are pipelines that may result in a material incident if damaged. While Peoples would like to prevent all damages, we have focused our resources first on higher risk possibilities. Peoples also uses public communications, targeted outreach to excavators, and dedicated Damage Prevention Coordinators to minimize damages. Finally, the company has also increased the number of Damage Prevention Supervisors, improved its damage processing system, and implemented further claims assessment reviews to increase the recovery of damage repair costs from those responsible for the damage.

Q. Please describe Peoples' storm preparation and response

efforts since 2023.

A. Due to the company's extensive storm preparation and response efforts, the major storms of 2023 and 2024 had minimal impact on our system and customers. Peoples prepares for storms year-round with mock drills for all team members, training in the Incident Command Structure, outreach to emergency and government stakeholders, and incident preparation in all field locations. Peoples also communicates reminders regarding storm preparation and natural gas safety to its customers and the general public. The Safety and Compliance team at Peoples includes two professionals who focus on Emergency Management and coordinate and plan for storm preparation and response. The Commission's previous authorization of these two positions has improved Peoples' ability to prepare and effectively react to emergencies like damaged lines and protect our team members and the general public.

Q. Was Peoples impacted by any named storms in 2023 or 2024?

A. Yes. Peoples was impacted by Hurricane Idalia in August of 2023, Hurricane Helene in September of 2024, and Hurricane Milton in October of 2024.

Q. How did these storms impact Peoples' system and customers?

A. Thanks to the company's storm restoration efforts, the impacts of these storms on the company's system and its customers were minimal, with less than 1,500 outages this past storm season. The underground nature of our system improves its resiliency by reducing its exposure to storm-related hazards, such as fallen trees or debris that can heavily impact the electric grid. Peoples incurred approximately $162,000 in damages from Hurricane Idalia, $672,000 in damages from Hurricane Helene, and $669,000 from Hurricane Milton.

Q. Have any new safety-related rules or regulations been implemented that Peoples must comply with since 2023?

A. Yes. PHMSA's Mega Rule Phase 2 went into effect on May 5, 2023, and February 23, 2024. The amendments in this final rule clarify certain integrity management provisions, codify a management of change process, update and bolster corrosion control requirements for gas transmission pipelines, and require operators to inspect pipelines following extreme weather events. Furthermore, it strengthens integrity management assessment requirements, adjusts repair criteria for high-consequence areas,

introduces new repair criteria for non-high consequence areas, and revises or creates specific definitions related to the above amendments. Peoples has prepared for this rule and implemented updated processes and programs to ensure compliance. Another PHMSA rule, the Leak Detection and Repair rule, remains pending but our teams will continue to assess compliance options for this rule.

Q. Please describe Peoples' WAM system.

A. Peoples' WAM system is a centralized technology platform designed to track all aspects of a pipeline system asset's life cycle including planning, design, construction, use, and retirement. WAM enables better work planning and execution, facilitates centralized asset management, enhances customer service, and system safety.

Peoples completed implementation of the customer service and the operations components of WAM in May 2023 and the compliance components in September 2023.

Now that WAM is in-service, we maintain all pipeline asset data within one enterprise asset management system. The company manages and tracks customer service appointments, compliance inspections, and maintenance and repair

schedules in one system. Work order routing and optimization occur during the assignment of work to technicians, ensuring that each technician has the required qualifications for their job assignment. This has streamlined operations and improved efficiency. Additionally, WAM allows for real-time updates and tracking, resulting in quicker response times and more effective resource allocation. The system also integrates with other software to enhance data analysis and reporting capabilities.

Q. How has WAM changed the way Gas Operations performs its functions?

A. The implementation of WAM has significantly improved the way Gas Operations functions. Field team members have experienced substantial changes in their daily responsibilities, as they adjusted to using tablet computers for managing and completing daily work requirements. They also underwent training on the new system.

One of the main improvements from WAM is that it centralizes work planning and scheduling, which allows Peoples to more efficiently schedule and route work to

field team members. Although Peoples is still acclimating to the system, WAM enables the collection and management of data on travel time to job sites and the actual "wrench time" to complete a job. This data provides greater insight into current and past performance across team members and service areas, which will allow us to continue to optimize our operations and better serve our customers.

Q. Has the implementation of WAM resulted in any efficiencies or cost savings for Gas Operations?

A. The shift from paper records to a digital system has resulted in numerous operational advantages. These benefits encompass streamlining work planning and execution, enhancing data analytics and decision-making, reducing lead times for report generation, and optimizing the utilization of company resources. The company has gained the ability to monitor productivity and performance metrics at the technician level, including the number of work orders completed, time taken to complete jobs, and travel time between jobs. These insights provide valuable information on overall productivity and efficiency, aiding in future resource planning and the timing of potential team member additions to ensure our operations and maintenance remain cost-

effective for our customers.

Q. Please provide an update on the Advanced Metering Infrastructure ("AMI") Pilot Project that Peoples presented in its last rate case.

A. Peoples continues to pursue an AMI Pilot Project to evaluate the potential customer benefits of using these meters and in this case seeks the Commission's approval to continue doing so. Following the last rate case, Peoples delayed the pilot project due to capital prioritization and a necessary system upgrade by our technology vendor, Itron.

Q. Please describe the company's AMI pilot.

A. Peoples AMI pilot is divided into two parts:

Evaluation of Smart Meter Technology - This phase will assess smart meter technology and potential applications for Peoples' gas distribution system. The pilot will evaluate features, including remote shutoff and remote detection of high flow rates and potential high-pressure anomalies. This evaluation is expected to continue into 2026.

Deployment of Automated Meters – During this phase, Peoples will deploy approximately 1,000 200—and 400-class automated meters and approximately 400 ERT retrofits for 600— to 1000-class meters in South Tampa. Peoples chose this location due to the potential customer service benefits and the existing Tampa Electric Company metering infrastructure supported by Itron. The timeline for this phase is expected to last eight to 12 months, beginning in January 2025.

The project will act as a foundational step in modernizing metering technology and operations, aligning with Peoples' strategic objectives of enhancing operational efficiency, improving billing accuracy, and fulfilling regulatory commitments. AMI meters may also offer safety features such as remote shut-off when a leak is reported. It also provides an opportunity to validate the benefits and challenges of AMI systems and smart gas meter technology, ensuring informed decision-making for future expansion or investment.

Q. What challenges will Gas Operations encounter in the future?

A. Peoples has made notable advancements in various areas of

Gas Operations since 2023, but there are still aspects, such as emergency response and appointment time, where performance can be improved.

Emergency Response – The emergency response rate within 60 minutes is currently below the target of 98.5 percent. This industry metric evaluates our efficiency in addressing damage or leak reports and ensuring the safety of the site or premises. Due to the geographic expansion of our pipeline system and the extensive regions our technicians must cover to address emergencies, Peoples has not met this objective since 2020.

Appointment Time – In 2024, Peoples successfully met expected appointment times for 90 percent of customer appointments. To continue challenging the team, our goal is to achieve at least 95 percent in 2025. Since our technicians must physically visit customer locations, we target appointment windows of four hours to ensure that customers are present when our technicians arrive.

III. GAS OPERATIONS O&M EXPENSES – 2026 TEST YEAR

Q. What are the major components of O&M expense in the Gas Operations areas?

A. Most of the O&M cost in Gas Operations is labor. The remaining components of O&M involve outside services, materials and supplies, team member travel and training, and utilities.

Q. Describe the trends in Gas Operations O&M since 2022 and the Gas Operations team's performance in managing O&M expense increases.

A. Gas Operations does not use any single metric to measure and monitor performance in managing O&M expense. Instead, Gas Operations uses a group of metrics that each provide a different perspective on the company's operations and efficiency. These metrics are ratios of O&M expenses to: (1) team member count ("O&M per Team Member"); (2) average miles of pipeline installed ("O&M per Avg Mile Installed"); (3) work order volumes ("O&M per Order"); (4) average customer count ("O&M per Customer"); and (5) average rate base ("O&M per Rate Base").

The graphics in Document No. 5 of my exhibit show a comparison between two variants of each metric. The metrics depicted with blue bars are a combination of our actual historical ratios through 2024, along with ratios based on our 2025 and 2026 projections. We will refer to these as

our "actual" metrics. The orange lines present the inflation-normalized versions of these metrics. A comparison of these metrics with our normalized metrics indicates that while O&M costs may be rising, Peoples has effectively mitigated the effects of inflation and growth on our business operations by remaining below our normalized benchmarks.

Q. Please describe each of these metrics and the information they present.

A. The metrics included in Document No. 5 of my exhibit are:

O&M per Team Member – This metric measures the O&M expense per each Gas Operations team member, which illustrates how efficiently Peoples manages labor costs. O&M per Team Member has declined since 2022 due to increased operational efficiencies that have offset higher costs from team growth. When we compare the actual and normalized versions of these metrics, the reduction of our actual O&M per Team Member since 2022 is even more pronounced.

O&M per Avg Mile Installed – This metric quantifies the total O&M efforts required to service our pipeline system, as the number of miles installed is a significant

indicator of the geographical extent of our network. This metric is increasing over time, which indicates that Peoples continues to have incremental O&M expenses, such as labor and transportation costs, that are required to cover the physical geography of our system.

In absolute terms, O&M has grown at a faster rate than our pipeline miles for this period as shown by our actual metric. While our actuals metric has increased through 2026, we have remained below the normalized metric for the entire period. This indicates that increased efficiencies in O&M have partially offset the inflationary pressures for this period but not to the level of a decrease in absolute terms.

O&M per Order - This metric measures the total O&M required to meet required work volumes for customer service, operations and maintenance, locates, damage prevention, compliance and emergency response. This metric measures how efficient Peoples is in completing work tasks on a volume basis but does not factor variability in the amount of time it takes for tasks to be completed.

Our actual O&M per Order metric has increased since 2022,

which indicates that O&M has grown at a faster rate than our work volumes for this period. Although work volumes have not increased at the same rate as O&M, the amount of time required to complete these volumes is commensurate with O&M increases. The actual O&M per Order metric remains below the normalized metric, which shows that increased efficiencies in O&M have partially offset the inflationary pressures for this period.

O&M per Customer - This metric measures the amount of O&M incurred to serve Peoples' customers. Due to the continued demand for natural gas service and resulting increases to customer count, Peoples incurs incremental operating costs. For example, each new customer requires a new meter, which in turn requires ongoing compliance and inspection, maintenance, and customer service.

Our O&M per Customer actuals metric has increased since 2022, reflecting the higher labor and operating costs to serve Peoples' growing customer base. Our actual metric, however, remains below the normalized metric, showing that increased efficiencies in O&M more than offset the inflationary and growth pressures for this period.

O&M per Rate Base - This metric shows Peoples' O&M expense

relative to our growing system, which in turn illustrates how our O&M expense supports our overall business needs. This metric offers an alternative perspective compared to the O&M per Avg Miles Installed metric, as it includes not only miles of pipe but also other assets such as vehicles, information systems, and buildings.

Our actual O&M per Rate Base metric has decreased since 2022, which shows increasing efficiency in operations as we invest in our business. For example, new vehicles will simultaneously add to rate base and increase O&M efficiency through better fuel mileage, lower maintenance costs, and improved safety performance, leading to fewer repairs. Another example is the company's investment in WAM, which allows us to better manage our work and find opportunities to increase efficiency. This decrease in our actual metric indicates that we have achieved some success in this regard.

Lastly, when comparing our actual O&M per Rate Base metric against our normalized metric, the decrease in O&M per Rate Base from 2022 to 2026 is more pronounced. This decrease shows that increased efficiencies in O&M more than offset the inflationary pressures for this period.

Q. What conclusions should the Commission draw from the trends in these metrics?

A. The trends in these metrics collectively demonstrate that Peoples is becoming more efficient, especially when measured against inflation.

Q. What level of O&M expense did the Commission approve for FERC Accounts 413, 871, 874, 878, 879, 880, 881, 886, 887, 892, 893, 894, and 902 in the last rate case for the year 2024, and how does that compare to Peoples' actual O&M expense in Gas Operations for 2024?

A. The Commission approved approximately $40.7 million for these FERC Accounts. Peoples spent approximately $37.8 million for these FERC Accounts, or $2.9 million below the approved amount, in 2024. This was due primarily to lower labor from unfilled positions and contractor cost reductions from insourced activities involving Pipeline Locators and Meter Technicians, which are reflected in FERC Accounts 874, 878, and 880.

The company updated its 2024 budget in January of 2024 to address lower than expected revenues, and higher than expected costs for: transportation; insurance; and labor

and employee benefits. Peoples' witness Donna Bluestone's prepared direct testimony addresses the higher than expected costs for insurance, labor, and employee benefits. We navigated through these changes by managing team member hiring and looking for cost savings and efficiencies through continual evaluation of workloads.

Q. Did Gas Operations fill all team member positions approved in the last rate case?

A. In the last rate case, the Commission approved 40 additional positions in 2023 and 38 additions in 2024 between Gas Operations, Pipeline Safety & Operational Support and External Affairs (formerly under my responsibility). As of December 31, 2024, the company filled 55 of the 78 positions as shown in Document No. 6 of my exhibit. The unfilled positions include 14 in FERC Account 874, three in FERC Account 880, one in FERC Account 887, one in FERC Account 903, and four in FERC Account 925.

Q. Please explain why Gas Operations did not fill the 14 positions in FERC Account 874.

A. Gas Operations replaced three Utility Technician

positions and one Apprentice position with Pipeline Locators, replaced one Utility Coordinator position and two Utility Technician positions with Apprentices, and replaced two Apprentice positions and one Leak Survey Technician position with Meter Technicians. These adjustments to planned position types were based on evolving workloads in service areas as we managed expenses throughout our organization. Additionally, one Apprentice position was repurposed as a Utility Technician, and one Corrosion Coordinator and one Apprentice were repurposed to a different service area. Finally, Peoples outsourced one Pipeline Locator at a service area. The company continues to evaluate workload and balance the lower cost of internal labor with the flexibility of contracted labor.

Q. Please explain why Gas Operations did not fill the three positions in FERC Account 880.

A. Gas Operations did not fill two positions approved in the last rate case under FERC Account 880, including a Supervisor for the Jupiter service area and a Technical Trainer in the company's Technical Training team, based on further evaluation of workload and prioritization after the last rate case. The company included the

Technical Trainer position in the budget for 2025 based on expected need this year. Finally, the filling of a third position, ENG Tech Training - Admin, under FERC Account 880 was not filled until January 2025.

Q. Please explain why Gas Operations did not fill the position in FERC Account 887.

A. Gas Operations did not fill one position approved in the last rate case under FERC Account 887, a Quality Assurance - CAPA Program Specialist, based on further evaluation of workload and prioritization after the last rate case.

Q. Please explain why Gas Operations did not fill the position in FERC Account 903.

A. Gas Operations did not fill one position approved in the last rate case under FERC Account 903, an Ops Processes - Support Specialist, based on further evaluation of workload and prioritization after the last rate case. The company expects it will need this position in 2025 and has included this position in the budget for 2025.

Q. Please explain why Gas Operations did not fill the four positions in FERC Account 925.

A. Gas Operations did not fill four positions approved in the last rate case under FERC Account 925. The company did not fill a Field Damage Prevention Leader position based on the evaluation of workload after the last rate case; however, the company included this position in the 2025 budget based on expected need for the position this year. The company did not fill a Compliance Analyst/Engineer position due to a delay in finalizing a new PHMSA pipeline compliance rule. Gas Operations did not fill the Security Coordinator position because the company opted to stay with the shared services model and allow an affiliate security group to continue to provide that service. Finally, Peoples did not fill the position of Environmental Scientist because the company decided to continue using affiliate and external services to meet its needs.

Q. Does Peoples plan to add any team members in Gas Operations and Pipeline Safety in 2025 and 2026?

A. Yes. Peoples plans to add 41 team members in Gas Operations in 2025 and 31 in 2026 for a total of 72 incremental positions. In 2025, 23 out of the 41 additions for Gas Operations will be replacements to fill team member vacancies as of the end of 2024. Peoples also plans

to add three team members to the Pipeline Safety team in 2025 and eight in 2026 for a total of 11 incremental positions. In 2025, one out of the three additions for Pipeline Safety and Operational Support will be a replacement to fill a vacant position as of the end of 2024. These positions are reflected on MFR Schedule G-2, page 19c-19e for their respective FERC Accounts as non-trended labor.

Q. Please describe why the new team member additions proposed for 2025 are necessary.

A. In 2025, nine of the 18 new team member additions planned for Gas Operations will be Meter Technicians for five service areas, replacing outside contractors for meter reading. To transition the company to a 24/7 dispatch cycle, five positions will be introduced. These include two Dispatch Analysts, a Dispatch Supervisor, a Business Operations Support Specialist, and a Scheduling Supervisor. To manage the increasing workload in the Sarasota service area, Peoples is adding one Damage Prevention Supervisor. To support the necessary growth of our Technical Training program, Peoples is adding a Technical Trainer and an Administrative Specialist. Lastly, Gas Operations is adding one Manager of

Sustainable Operations to oversee operational support for CNG and RNG pipeline projects. Fifty percent of the labor costs for this position will be classified as below-the-line expenses, as some of the manager's direct reports will be dedicated to maintaining the Alliance RNG facilities.

The two new positions planned for the Pipeline Safety team in 2025 are Damage Prevention Coordinators. These positions will support the company's effort to protect its pipeline system and perform awareness and damage prevention training to third-party excavators and the public.

Q. Please describe why the new team member additions in 2026 are necessary.

A. Ten of the 31 new positions planned for Gas Operations in 2026 are Apprentices who are needed to support increasing activity levels across seven different service areas. These Apprentices will start in the company's training program collectively, with the goal of becoming fully qualified gas technicians.

Gas Operations will also add: (1) three new Pipeline

Locators and one Leak Survey Technician to support increasing activity levels in three of the company's service areas; (2) two Utility Technicians to the Ocala service area to improve leak response (added labor will be partially offset by a reduction in outside services costs); (3) four Administrative Specialists for four separate service areas to support WAM and compliance efforts; (4) two Storekeepers to manage storerooms in two service areas with growing activity levels; (5) three Regional Inventory Specialists to improve inventory management and reduce inventory carrying costs; (6) four additional Dispatch Analysts to assist in the transition to a 24/7 internal dispatch cycle and eliminate the need for Tampa Electric Company's support during non-business hours; and (7) two RNG/CNG coordinators to manage the Alliance RNG facility. These last two positions do not impact O&M as the associated labor costs will be 100 percent below the line.

The eight new positions planned for Pipeline safety are: (1) three new Damage Prevention Coordinators to support protection of the company's pipeline system; (2) two Damage Claims & Billing Support Coordinators to support the implementation of improved damage claims, billing processes and systems designed to achieve maximum

recovery; (3) a Business Continuity Coordinator to create and maintain detailed continuity plans and provide periodic training; (4) a new security professional to, among other things, provide timely responses to Transportation Security Administration requirements and support incident response; and (5) a fleet safety professional to manage all safety aspects of the company's growing vehicle fleet.

Q. Has Gas Operations made any changes to its approach to recruitment and training since 2023?

A. Yes. Peoples implemented several improvements to the candidate recruiting process which reduced the company's average time to fill a vacancy from 59 days in 2023 to 45 days in 2024. This means there is less lag between when a team member leaves and when the new team member starts. Witness Bluestone provides additional detail on these improvements in her direct testimony.

Peoples also implemented additional training classes for Meter Technicians, Pipeline Locators, and Leak Survey Technicians. The company plans to make additions to the GasWorX training facility and staff in 2025 that will allow the company to provide additional refresher

training for Senior Utility Technicians and Utility Coordinators. Investing in our training program reduces third-party training costs and helps Peoples grow its workforce cost-effectively.

Q. How does Peoples manage outside contractor usage?

A. Peoples balances outside contractor expenses with the need to maintain a flexible and responsive workforce. Part of this balance is insourcing contractor functions where it makes sense from an operational perspective. While insourcing does increase labor and other O&M costs, the reduction in contractor expenses mitigates the costs of adding team members, resulting in a lower overall cost to the benefit of Peoples' customers.

Q. How many team members did Peoples insource from contractors in 2023 and 2024?

A. The company hired 21 Gas Operations team members in 2023 whose compensation was previously charged to outside services. These included 18 Pipeline Locators and three Utility Technicians or Apprentices.

The company hired 14 Gas Operations team members in 2024

whose compensation was previously charged to outside services. These included one Pipeline Locator, two Leak Survey Technicians, and 11 Meter Technicians or Apprentices.

Q. Does Peoples expect any additional cost reductions from these insourcing efforts?

A. Yes. Gas Operations anticipates non-trended reductions to FERC Accounts 874 and 878 of approximately $260,642 and $618,702, respectively, in the 2026 projected test year. These trends are depicted on MFR Schedule G-2, page 19b. These savings result from reduced contractor expenses as Gas Operations recognizes efficiency gains by performing various meter-related and leak survey activities with internal resources. Additionally, Gas Operations plans to expand its insourcing efforts by performing all meter reading functions internally by the end of 2025. Peoples expects a $734,444 non-trended reduction to contractor costs in FERC Account 902 which offsets the corresponding non-trended labor addition of $284,848 in the 2026 projected test year. The non-trended labor addition includes nine Meter Technicians to fully insource the meter reading function.

Q. What are the forecasted O&M amounts for FERC Accounts 413, 871, 874, 878, 879, 880, 881, 886, 887, 892, 893, 894, and 902 for 2025 and 2026, and are those amounts reasonable?

A. The total O&M amounts for the FERC Accounts listed above for 2025 and 2026 are approximately $39.1 million and $44.5 million, respectively, as shown on MFR Schedule G-2, pages, 12a-14 and 19a. These expenses represent the costs to safely operate our gas distribution system in service to our customers and the public, meet all compliance requirements, protect the public and our system from outside damage, and equip our team members with appropriate training and development to perform their duties.

Q. Is the total projected amount of 2026 O&M expense for these FERC Accounts higher than the actual amount in 2024?

A. Yes. The projected amount of O&M expense for these FERC Accounts in 2026 is $6.7 million higher than the company's actual O&M expense 2024.

Q. Please describe the reasons for this increase.

A. Approximately $2.0 million of this increase is related to labor costs that were budgeted on a trended basis, as described in the direct testimony of witness Bluestone. Another $1.6 million is attributed to other costs that Peoples budgeted based on trends as detailed in the prepared direct testimony of Peoples' witness Andrew Nichols. The remainder of the increase consists of $3.1 million of payroll not trended costs reflected on MFR Schedule G-2, pages 19c to 19e.

Q. What steps is Gas Operations taking to control the level of O&M expense for 2025 and 2026 while maintaining safe and reliable gas service?

A. Gas Operations is taking several steps to control O&M expense, including reducing Outside Services expenses through insourcing and relying on internal Meter Technician resources for all meter reading activities in Peoples northern service areas. These resources will be shared between service areas as needed to ensure they maintain a full workload and to provide operational flexibility. Gas Operations also uses technology such as route optimization and resource sharing across service areas. The benefits of these efforts are evident in the plotted metrics shown in Document No. 5 of my exhibit.

Q. How does the projected total Distribution O&M compare to inflation and growth adjusted benchmark projection?

A. Total Distribution O&M for 2026 is projected to be approximately $51.7 million. The Distribution O&M embedded in this rate filing is lower than the projected benchmark of approximately $54.6 million by $2.9 million, or five percent, when adjusted for growth and inflation. This shows the efficiency gains included in Peoples' rate request and that Peoples is offsetting the impacts of inflation in our business to the benefit of our customers.

IV. SAFETY, GAS OPERATIONS, AND SUSTAINABILITY RATE BASE – 2026 TEST YEAR

Q. What kinds of capital investments does Peoples make in the Gas Operations area?

A. Most capital projects identified by Gas Operations serve to promote the reliability, resiliency, and efficiency ("RRE") of the company's gas distribution system. These projects involve the replacement, improvement, or relocation of facilities to maintain system safety and reliability. Gas Operations team members identify these projects through their regular work of operating the gas distribution system. The Gas Operations team also

executes pipeline installation projects to provide system looping, which ensures that significant customer bases are not dependent on a single gas feed and avoids reliability issues caused by damage to the company's system. Gas Operations works with the company's Engineering, Construction, and Technology team on larger RRE capital projects that require longer planning and implementation schedules. Peoples' witness Christian Richard describes in his prepared direct testimony the process for identifying, evaluating, budgeting, and implementing major RRE projects. Gas Operations also invests capital in vehicles, building improvements, and tools and equipment.

Q. How much capital investment did the Commission approve in the last rate case for Gas Operations for the year 2024, and how does that compare to the company's actual capital investment in Gas Operations for 2024?

A. The Commission approved approximately $68.6 million of capital investment in the Gas Operations area for 2024. Peoples spent $44.3 million in 2024, which is $24.3 million less than projected in the last rate case. This variance is primarily driven by deferments of Improvements to Property, Meters and Regulators, the AMI

Pilot, and Distribution System Improvements, which will be further explained later in my testimony. We undertook these deferments as part of Peoples' efforts to prudently manage the overall capital plan, which requires Peoples to delay some projects and accelerate others to meet both business demands and the needs of customers.

Q. How much capital does the company plan to invest in Gas Operations in 2025 and 2026?

A. Gas Operations plans to invest $62.7 million in capital projects in 2025 and $79.3 million in capital projects in 2026, as shown in Document No. 7 of my exhibit. This investment is largely related to sustaining activities such as the replacement of damaged main and service lines as well as distribution system improvements. This capital investment also covers additional vehicles for new team members, replacements of aging vehicles, and improvements to our service area offices.

Q. For all capital investments completed or planned for the years 2024 through 2026, describe the categories of capital investment and the amount the company invested or plans to invest in each category.

A. The major categories of completed and planned capital investments, and the planned amount of investment in those categories, are as follows:

Cathodic Protection – These projects involve the replacement, retirement, or addition of cathodic protection on existing gas mains and services. The company spent $2.9 million on these projects in 2024 and plans to spend $2.3 million and $2.7 million in 2025 and 2026, respectively.

Distribution System Improvements – This category includes the replacement, retirement, or addition of gas mains related to the enhancement of the gas distribution system's reliability. The company spent $1.3 million on these projects in 2024 and plans to spend $8.8 million and $10.8 million in 2025 and 2026, respectively. The company completed fewer blanket projects in 2024 than expected as the company managed the capital budget to address competing priorities. The budgets for 2025 and 2026 include $4.5 million and $4.7 million of undetectable pipeline identification and improvements, respectively. Peoples budgeted for undetectable pipeline improvements in 2024 but could not begin until 2025 due to resource constraints and capital prioritization.

Measuring and Regulation Station Equipment - These projects address concerns related to pipeline pressurization monitoring and management. These include projects to upgrade district regulator stations to minimize the risk of over-pressurization from common-mode-of-failure, and to ensure regulator stations have secondary or backup pressure relief or over-pressurization protection technology. Peoples invested zero dollars in these projects in 2024 but expects to invest $1.6 million in these projects in 2025 and $1.7 million in 2026.

Improvements to Property - These projects involve the permanent alteration to, repair of, or addition to a property that enhances its value, increases its useful life, or allows for a new use. The company spent $2.8 million on these projects in 2024, which is $9.3 million below the Commission approved rate case budget. This variance is primarily driven by the $8.0 million deferment of the investment in the company's Orlando Service Center. The company projects to spend $4.1 million and $13.0 million on these projects in 2025 and 2026, respectively. The $4.1 million projection for 2025 includes $1.3 million for the GasWorX facility improvements and delayed general building repairs and remodeling costs that were deferred

from 2024. The estimate for 2026 includes large renovations to several of our service area offices, which includes delayed investment in Peoples' Orlando Service Center and a reallocation of some of the investment in that project for renovations to other field offices.

Main Replacements - This category encompasses the replacement or retirement of short sections of existing gas mains in an emergency or unplanned event where there is no time to plan, design, permit, or schedule the work. The company spent $16.0 million on these projects in 2024 and estimates it will spend $17.1 million on these projects in 2025 and $19.2 million in 2026.

Meters and Regulators - These investments include replacement, retirement, or addition of metering and regulation equipment to maintain reliability, accurate gas monitoring, and compliance with applicable requirements. The company spent $3.6 million on these projects in 2024 and estimates it will spend $4.5 million in 2025 and $3.5 million in 2026. The budgeted amounts for 2025 and 2026 include approximately $4.2 million in periodic meter change-outs that the company did not complete in 2024 as planned due to a slower than expected program start.

Non-Construction - These investments include tools, machinery, or equipment used to install or maintain company assets, power equipment and tools, and gauges, instruments, devices, or systems used to inspect, test, calibrate, or measure parameters. The company invested $2.4 million in these devices in 2024 and projects to spend $2.3 million and $2.9 million in this area in 2025 and 2026, respectively.

Service Line Replacement - These projects include replacement of a portion or an entire service line in an emergency or unplanned event where there is not time to plan, design, permit, and schedule the work. The company spent $6.8 million in this area in 2024 and expects to spend $14.5 million and $14.4 million on these projects in 2025 and 2026, respectively. Beginning in 2025, this category also includes the cost to cut and cap inactive service lines. This comprises $6.2 million of the projected 2025 spend and $6.4 million of the 2026 spend. These costs were formerly grouped with new service line installations. While included in the capital budget, the removal costs associated with the cut and cap of inactive service lines are adjusted out of rate base calculations and recovered through asset depreciation rates.

Office Equipment – This category primarily encompasses the purchase of computers, printers, and related equipment. The company invested approximately $0.2 million in this equipment in 2024 and projects to spend approximately $0.6 million in 2025 and $0.5 million in 2026 in this area.

Purchase of Transportation Vehicles – Peoples spent $8.3 million on the purchase of vehicles in 2024 and expects to spend $4.6 million in 2025 and $6.5 million in 2026 for vehicles. Peoples plans to purchase 30 and 58 new vehicles in 2025 and 2026, respectively. Peoples evaluates the oldest existing fleet vehicles for retirement as it purchases new vehicles. Overall, Peoples expects its fleet to expand to over 720 vehicles by the end of 2026.

AMI – As I previously explained, Peoples initially planned to begin work on the AMI Pilot in 2024 but postponed the project to 2025 due to capital prioritization and a necessary system upgrade by Itron, who is a joint vendor along with Tampa Electric. Peoples plans to invest approximately $2.2 million in this project in 2025 and $4.0 million in 2026.

Q. You mentioned several categories of capital investments that Peoples originally planned for 2024 that were delayed into later years. Why were these projects delayed?

A. Peoples opted to defer some capital investments and prioritize others as part of its ongoing evaluation of capital and O&M spending. As witness Richard details in his direct testimony, the company prudently managed its capital budget, balanced priorities, and delivered results within one percent of the overall budget over the past two years.

Q. Please identify the delayed projects and explain why they are still necessary.

A. Peoples was able to manage without these capital investments in 2024 but still requires investments in these areas. These delayed investments included: (1) the delay of the $8.0 million renovation of Peoples' Orlando Service Center to 2026 and reallocation of these funds to other service area centers; (2) a $4.1 million reduction in periodic meter change-outs due to a slower than expected program start in 2024; (3) a $2.2 million reduction in distribution system improvements which were delayed until 2025; (4) a reduction of $2.2 million for

the AMI project, which was delayed until 2025; and (5) a reduction of $1.1 million for GasWorX improvements, which was delayed until 2025.

Q. Were each of Peoples' capital investments in 2024 reasonable and prudent?

A. Yes. Each of the investments made in 2024 was necessary to maintain the safe and reliable operation of Peoples' gas distribution system.

Q. Is Gas Operations projected level of capital investment in 2025 and 2026 reasonable and prudent?

A. Yes. The investments I previously described are all necessary to maintain the safe and reliable operation of Peoples' gas distribution system.

Q. What steps does Gas Operations take to ensure these capital projects are completed at the lowest reasonable cost?

A. In his direct testimony, witness Richard describes several methods the company uses to ensure that capital projects are completed at the lowest reasonable cost,

including the use of fixed unit price multi-year contracts and project oversight, among others. For non-construction capital expenditures, such as vehicles, office equipment, and improvements to property, Peoples uses competitive bidding to procure these materials and services in accordance with established procurement policies to ensure we obtain the best value for our customers.

Q. What steps has Gas Operations taken to promote affordability?

A. Peoples has successfully offset the impacts of inflation in O&M for Safety, Gas Operations and Sustainability. In an environment where seemingly everything is more expensive, Peoples' success in offsetting inflation directly promotes affordability to our customers. Gas Operations also uses the methods I previously described to ensure that it completes capital projects at the lowest reasonable cost.

V. MFR SCHEDULES SPONSORED

Q. Please explain MFR Schedules C-38, G-1, G-2, G-6.

A. MFR Schedule C-38 provides an explanation of O&M cost variances by functional area comparing the historic base

year to the benchmark. I also sponsor categories containing Distribution and A&G FERC Accounts that are related to Gas Operations activities.

MFR Schedule G-1, pages 23 and 26, provides a detailed construction budget for the Historic Base Year + 1 and the Projected Test Year. These capital costs represent investments in the distribution system supported by the direct testimony of witness Richard.

MFR Schedule G-2, pages 12a-14 and 19, provides the calculation of O&M expenses for the Historic Base Year, Historic Base Year + 1, and Projected Test Year by FERC Account by category. The amounts shown are explained through either a justified trended factor or non-trended explanation. My direct testimony supports FERC Accounts 413, 871, 874, 878, 879, 880, 881, 886, 887, 892, 893, 894, and 902, which substantially represent the cost of operating and maintaining Peoples' natural gas distribution system, as well as the non-trended positions and other costs on MFR Schedule G-2, pages 12a-14 and 19a.

MFR Schedule G-6, pages 1-9, provides an explanation of the major assumptions Peoples took in its projected test

year.

Q. Please explain MFR Schedule I-1.

A. MFR Schedule I-1 lists interruptions in service affecting the lesser of 10 percent of all customers, or 500 or more customer meters in a service area.

Q. Please describe MFR Schedule I-2.

A. MFR Schedule I-2 requires a summary of rule violation notices Peoples has received from the Commission since the company's last general rate case proceeding.

Q. Please describe MFR Schedule I-3.

A. MFR Schedule I-3 requires a listing of meters with a rated capacity of (1) 250 cubic feet per hour ("CFH") or less which were not included in an approved statistical sampling plan, (2) between 251 CFH and 2500 CFH, and (3) over 2500 CFH that have not been tested for accuracy within 120 months of the year-end of the last historic test year, which was 2024. All meters with a rated capacity of 250 CFH or less have been included in the approved statistical sampling plan.

VI. SUMMARY

Q. Please summarize your prepared direct testimony.

A. My direct testimony demonstrates that the Peoples' Gas Operations team is delivering a high level of customer service, safety, reliability, and resiliency while carefully managing O&M expenses and completing capital projects in a prudent manner.

Q. Does this conclude your prepared direct testimony?

A. Yes.

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

TECO PEOPLES GAS
AN EMERA COMPANY

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20250029-GU

IN RE: PETITION FOR RATE INCREASE

BY PEOPLES GAS SYSTEM, INC.

PREPARED DIRECT TESTIMONY AND EXHIBIT

OF

CHRISTIAN RICHARD

PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20250029-GU
FILED: 03/31/2025

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PEOPLES GAS SYSTEM, INC.
DOCKET NO. 20250029-GU
FILED: 03/31/2025

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

CHRISTIAN RICHARD

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

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

Q. Please describe your duties and responsibilities in that position.

A. I am responsible for: (1) the engineering and construction of the company's transmission facilities ("E&C"); (2) the design and construction of the company's distribution facilities ("D&C") which includes the company's Gas Control and Measurement & Regulation groups; (3) long-term planning and oversight of the company's capital program (Work and Capital Management, or "WCM"); (4) supply chain management ("SC"); and (5) information technology ("IT"). Collectively, the E&C, D&C, WCM, SC and IT functions

constitute the ECT team.

Q. Please provide a brief outline of your educational background and business experience.

A. I graduated from the University of New Brunswick (New Brunswick, Canada) with a bachelor's degree in engineering in 2000 and earned a master's degree in business administration ("MBA") from l'Université de Moncton (New Brunswick, Canada) in 2003. I have worked in the utility industry for over seventeen years, including seven years at an electric utility and ten years in the natural gas sector. I served as General Manager of Emera Brunswick Pipeline and was on the Management Committees of Maritimes and Northeast Pipeline United States and Maritimes and Northeast Pipeline Canada. My work experience also includes managing industrial operations in the forestry sector (sawmills) and the tidal energy sector. I joined Peoples in 2019 as its Vice President-Strategy and assumed my current position in 2022.

Q. What are the purposes of your prepared direct testimony in this proceeding?

A. The purpose of my direct testimony is to highlight ECT's

critical role in maintaining the safe operation of the Peoples system, providing essential support services for reliable operations, ensuring prudent capital project planning, and executing those capital projects on time and on budget.

My direct testimony will: (1) describe the company's ECT team; (2) describe Peoples' achievements and changes in the ECT area since the company's last rate case; (3) demonstrate the ECT team's effectiveness at facilitating the company's capital planning process and providing oversight for the execution of capital projects; (4) describe the company's prudent capital investments in the ECT area to promote safe, efficient, and reliable service to our customers and meet the needs of a growing, aging, and increasingly more complex system; and (5) demonstrate that Peoples' proposed levels of operations and maintenance ("O&M") expenses for the ECT team for the 2026 projected test year are reasonable and prudent.

Q. Did you prepare any exhibits in support of your prepared direct testimony?

A. Yes. Exhibit No. CR-1, entitled "Exhibit of Christian Richard", was prepared under my direction and supervision

and accompanies my prepared direct testimony. The contents of my exhibit and the Minimum Filing Requirement ("MFR") Schedules referenced in them were derived from the business records of the company and are true and correct to the best of my knowledge and belief. My exhibit consists of the following nine documents:

Document No. 1	List of Minimum Filing Requirement Schedules Sponsored or Co-Sponsored by Christian Richard
Document No. 2	Supply Chain Savings Achieved from 2023 to 2024
Document No. 3	Actual Capital Expenditures Compared to the 2023 Rate Case Capital Plan for 2023 and 2024
Document No. 4	Peoples Capital Plan for 2025 and 2026
Document No. 5	Peoples Capital Plan for 2025 and 2026 – Portion Managed by Peoples' ECT team
Document No. 6	Actual ECT Positions Filled Compared to Positions Approved in 2023 Rate Case
Document No. 7	ECT O&M by FERC for 2024 to 2026
Document No. 8	ECT Non-Trended Labor Costs by FERC for 2025 and 2026

Document No. 9 ECT team Member Additions for 2025 and 2026

Q. Are you sponsoring any MFR Schedules?

A. Yes. I sponsor or co-sponsor the MFR Schedules listed in Document No. 1 of my exhibit. These include MFR Schedules C-38, G-01, G-02, and G-06.

I. ECT OVERVIEW

Q. Please describe the company's ECT team.

A. Peoples ECT team consists of 185 team members (as of December 31, 2024) who work in five distinct functional areas including 34 in E&C, 127 in D&C, two in WCM, 10 in SC, and 12 in IT. Each functional area team performs a separate and distinct function on behalf of customers.

Q. Please describe the E&C and D&C team and their responsibilities.

A. E&C and D&C team member responsibilities include: design and engineering, cost estimating, construction management and oversight; maintenance of the company's "as built" construction records and its Geographic Information System

("GIS"); integrity management; codes and standards; and gas control, measurement, and regulation. The E&C and D&C team oversee the strategic contracts that deploy between 450 and 500 people to perform our construction activity across the state and deployed the majority of the $314.1 million of our total capital budget in 2024 safely, reliably, on-time, and on-budget. The team also provides support to the Gas Operations team during emergency events such as pipeline damages or storms. The Gas Control team monitors and controls the company's pipeline system from a centralized location. Finally, the Measurement and Regulation ("M&R") team within D&C performs all maintenance, operations, compliance, and safety work on the company's large measurement and regulation assets and operates the company's compressor stations.

Q. Please describe the WCM team.

A. The WCM team consists of two people and is tasked with providing oversight and management of strategic capital planning, including governance, budgeting, scheduling, execution, monitoring, and reporting for all capital activities at Peoples. The department is also responsible for the development and maintenance of the company's long-term capital plan, including preparation of the company's

initial Integrated Resource Plan ("IRP") in 2024 and the annual updates to that plan.

Q. Please describe the SC team.

A. Established in 2023 with three team members, Peoples' SC team is now comprised of 10 team members as of the end of 2024. The SC team ensures efficient procurement of materials and services to support Gas Operations and capital execution. The team is responsible for the lifecycle management of contracts; strategic sourcing of materials and services; inventory management; fleet and facilities management; and imposing governance procedures and controls. Tampa Electric's SC team also continues to provide some SC functions on a shared services basis – an arrangement that uses economies of scale to benefit both electric and gas customers. Tampa Electric charges the cost of these shared services to Peoples. Peoples witness Jeff Chronister's prepared direct testimony provides more information on the treatment of shared service costs.

Q. Please describe the company's IT team members within ECT and their activities.

A. Peoples IT team consists of 12 professionals, including an

IT Director, that are focused on Peoples' IT and operational technology investments. This team works with the company's other business units to help them identify and use technology to solve problems and improve efficiency and safety. The company continues to rely on Tampa Electric for shared IT services including cybersecurity, telecommunications, IT infrastructure, customer systems, and corporate solutions. These shared services are directly charged or allocated by Tampa Electric to Peoples. Witness Chronister's testimony provides more information on the treatment of shared service costs. Like with SC, this arrangement takes advantage of economies of scale to benefit both electric and gas customers.

Q. What is the Technology Strategy Council?

A. Peoples' Technology Strategy Council ("TSC") consists of 20 representatives from various functional areas within Peoples and TECO Partners, Inc. ("TPI").

The TSC has three major functions: (1) to complete annual updates of the company's Technology Strategy and Roadmap; (2) to review and approve all technology projects prior to execution; and (3) to prioritize time and resources related to the company's technology planning.

Q. What is the Technology Strategy and Roadmap?

A. The Technology Strategy and Roadmap ("Roadmap") is a five-year view of the company's planned technology investments. The Roadmap is refreshed in a series of annual workshops with the company's various functional areas and is based on each area's challenges, needs, and possible solutions. The TSC analyzes each potential project through a "chartering process" that further defines the scope of the project and enables prioritization and value analysis. The TSC also reviews and approves each of the technology projects to ensure there is no duplication of functionality with existing investments, to assess project execution feasibility, to evaluate cybersecurity risks, and to gauge supplier support.

Q. What role does the ECT team play with respect to safety and compliance?

A. ECT collaborates with the Gas Operations and Safety team to ensure the company's system complies with federal and state safety requirements. Each ECT team plays a part in ensuring that Peoples operates its system reliably and according to the company's integrated Pipeline Safety Management System ("PSMS"), which helps ensure the safety

of our team members, contractors, and the public. The M&R and Gas Control team operate the transfer points between Peoples and Inter/Intrastate pipelines, ensure pipelines are operated at safe pressures, and can operate protective measures such as Rupture Mitigation Valves ("RMV") to reduce the consequence of a pipeline rupture if one were ever to occur. The Codes and Standards team (within E&C) ensures that the company follows proper work processes and uses appropriate materials and controls. The Integrity Management team (within E&C) ensures that the company complies with integrity standards for distribution and transmission gas assets. Finally, the GIS team maintains records of the company's system.

II. ECT ACCOMPLISHMENTS AND CHANGES SINCE LAST RATE CASE

Q. Please describe any changes to the ECT team since the last rate case.

A. The ECT team has grown since the last rate case in several ways. These include the evolution of the WCM function, the transition of some business functions from our affiliate Tampa Electric, and team member additions to accommodate the growth of Peoples' customer base and distribution system.

Q. Please describe the growth of the distribution system since January of 2023 and the impact of that growth on the ECT team's operations and responsibilities.

A. Peoples has safely designed and constructed over 783 miles of distribution main, nearly 43,000 new services, and 75 district regulator stations since January 2023. The company also completed the 29-mile Dade City Connector Project. As described in Peoples witness Timothy O'Connor's prepared direct testimony, system growth increases the effort needed by the Gas Operations team to maintain and operate the company's system. System growth also means an increase in system data, which the ECT team must gather and monitor for the company's integrity management programs, more complex system records, which the ECT team maintains through its GIS system, and a larger system for the Gas Control team to operate. Finally, the M&R team must ensure that Gas Control can monitor and control this growing system through instrumentation and automation.

This growth affects the company's capital budgeting, as Peoples must increase its capital investment level in Reliability, Resiliency, and Efficiency ("RRE") projects in 2025 and 2026 to address the needs of a growing, aging, and increasingly complex system. I will explain our RRE

capital investment plan later in my testimony.

Q. Have there been any other significant accomplishments or changes in the ECT area since 2023?

A. Yes. The ECT team has continued to implement programs which help improve the overall efficiency of our capital spending and ensure each dollar reaches its best use. Each of the five functional areas within the ECT team has also had its own significant changes and successes since 2023.

E&C AND D&C TEAM

Q. What successes have the E&C and D&C team had since 2023?

A. Since the last rate case, the E&C and D&C team were successful in prudently managing the company's capital budget, as illustrated by our ability to stay within one percent of the capital budget in both 2023 and 2024.

The D&C team initiated and successfully completed the Design and Construction Performance Improvement ("DCPI") project. This project included a comprehensive review of the company's major businesses processes for distribution growth projects and implemented a new structured management framework with key performance metrics to promote greater

work transparency, better decision-making, and better accountability. This program resulted in gains in capital efficiency by changing how Peoples uses project inspectors and by minimizing reliance on external contractors for inspections. This nine-month project allowed the company to realize a net $6.5 million of annualized capital savings.

The Gas Control team improved controller performance by enhancing alarm management, creating a quality assurance plan to review controller log entries, and implementing disaster recovery training with controllers. The Gas Control team will move into our affiliate Tampa Electric's new Bearss Operations Center later this year. The Bearss Operations Center is a modern, storm-hardened secure operations center. This relocation will benefit customers because the team members and technology that operate our gas system will be housed in a more resilient, storm-hardened facility.

The M&R team implemented several new technologies, including new state-of-the-art measurement systems, the Work and Asset Management ("WAM") system, and a new monitoring system to provide visibility and surveillance of our critical cyber assets. These improvements in

technology help support pipeline safety and accurate measurement of customer usage.

The E&C team also continued to execute large projects, such as the Dade City Connector Project, and deliver those projects on time and at or below budget. This success is based on the many construction management improvements shared during Peoples' last rate case, including issuing four comprehensive manuals to guide team members through the project management process. The guidance provided by these manuals enhances cost control and helps ensure that projects stay within or below the approved budget. The team also introduced standardized cost tracking sheets to ensure consistent project controls and transparency for tracking costs. The insights gained from this process will be used to refine future estimates, improving accuracy by accounting for both positive and negative variances.

WCM TEAM

Q. What successes has the WCM team had since 2023?

A. The WCM team made significant advancements in work and capital planning; budgeting and execution; and strengthening oversight and governance to ensure disciplined investment and execution. The best

illustration of these improvements is that Peoples was able to stay within one percent of our capital budget in both 2023 and 2024. The WCM team also successfully developed the 2024 IRP. This document is used to identify and prioritize capital projects that are necessary to address customer growth, maintain reliability, and keep the system safe over the long-term. The 2024 IRP provides a first step in a clear 10-year roadmap for future investments.

SC TEAM

Q. Has Peoples changed the way it manages procurement of materials and supplies since 2023?

A. Yes. Peoples historically received supply chain management services from our affiliate company Tampa Electric. Peoples engaged a consultant in 2022 to assess insourcing the supply chain function from Tampa Electric. This process resulted in the development of the Peoples Supply Chain Operating Model ("SCOM"), which is designed to create long-term value for the company. Peoples established its own SC team in 2023 and is taking a cautious, phased approach to filling out the team and implementing the SCOM, which is on track for full implementation by 2026. Peoples engaged the same consultant for a follow-up assessment in 2024, which reaffirmed the original recommendations and

validated Peoples' supply chain transition strategy.

The SC team also assumed responsibility for fleet operations, a function previously performed by Tampa Electric. SC oversees 701 vehicles as of December 2024. Peoples established a new fleet management committee and introduced structured processes for vehicle procurement, job-specific vehicle standardization, safety equipment requirements, third-party maintenance management, cost tracking, and planned replacements based on cost and age. This professional approach ensures the company will have a safer, more cost-effective fleet.

Q. Has Peoples faced any major supply chain challenges related to procuring materials and supplies since the last rate case?

A. Yes. Peoples continues to face difficulties in procuring some materials and supplies. For example, Peoples had difficulty procuring residential and commercial meters in the first several months of 2024 due to manufacturer part shortages. The SC team implemented several steps to mitigate these critical meter shortages and was able to manage through the situation without customer disruptions.

Q. Has Peoples faced any significant cost increases for materials, supplies, and services since the last rate case?

A. Yes. Cost increases have not spared the natural gas industry. For example, the company experienced cost increases of 35 percent on meters, 33 percent on meter accessories, and 22 percent on valves from 2023 to 2024. This example alone represents approximately $2.5 million in price increases.

Q. Has Peoples' new SC team identified any opportunities for savings?

A. Yes. In addition to providing rapid response to operational issues such as the meter shortage, the SC team delivered value through "hard savings", which are easily quantifiable savings such as realizing rebates, securing lower-cost vendors and supplies, and salvaging excess pipelines. The SC team also delivered "soft savings", which are harder to quantify savings such as negotiating smaller price increases from suppliers. The SC team achieved approximately $4.0 million of total savings in 2023 and 2024. These savings are presented in Document No. 2 of my exhibit.

IT TEAM

Q. Are there any changes in the way Peoples obtains IT services since 2023?

A. Yes. Peoples established its own IT team in 2023 with the cost-neutral transfer of 11 professionals from Tampa Electric's IT team to Peoples' IT organization. This shift has resulted in faster technology delivery, improved system support, and a more agile response to business needs.

Q. In Peoples' last rate case you testified regarding the company's planned implementation of a WAM System. Did that project go into service since the last rate case?

A. Yes. Peoples successfully completed the WAM Project and the system is fully functional. Peoples rolled out the WAM system over three releases - in late 2022 for the ECT team, in May of 2023 for Gas Operations, and in September of 2023 for Compliance and Damage Billing. An internal team of technical and functional experts worked directly with Gas Operations, the ECT team, and Compliance in 2024 to improve system adoption and to identify and provide necessary training.

Q. Has implementation of WAM resulted in any efficiencies or

cost savings for Peoples?

A. Yes. Witness O'Connor's testimony explains how implementation of WAM resulted in increased productivity and efficiency for Gas Operations team members.

Q. Why does Peoples seek approval of a 20-year amortization period for WAM, creating a new FERC subaccount 303.02, and transferring the WAM investment into the new subaccount effective January 1, 2026?

A. The company included WAM in FERC Account 303.1 Custom Software, in its 2022 Updated Depreciation Study filed on April 4, 2023, because that was the most appropriate approved depreciation account in which to place it. That account has a designated service life of 15 years.

Tampa Electric, Peoples, and New Mexico Gas Company ("NMGC") share the core enterprise resource planning ("ERP") system SAP R/3. This version has been on the market for 33 years and it is scheduled to reach its end of life on December 31, 2027. For the WAM initiative, Peoples chose to implement SAP's latest version of ERP, SAP S/4 HANA. This selection was based on SAP's product roadmap, as well as new user functionality, enhanced speed, and improved

performance. Given that SAP's R/3 ERP system has been on the market for over three decades, we anticipate that SAP S/4 HANA will have a similar lifespan in the market.

The benefits of making this change include that it more appropriately reflects the asset's life and depreciation in the company's financial records. Peoples witness Andrew Nichols prepared direct testimony explains Peoples' recommendation that the Florida Public Service Commission ("Commission") adjust the company's revenue requirement downward for rates effective January 1, 2026 if the Commission approves this change.

Q. Has Peoples completed any other technology projects since 2023?

A. Yes. Peoples implemented many significant technology projects since the last rate case. I will describe these investments later in my testimony.

Q. What is the Probabilistic Risk Model project and what is its status?

A. Peoples implemented a new probabilistic risk model, known as the JANA Distribution Integrity Management Program

("DIMP") in 2023. This is a tool that allows gas local distribution companies ("LDCs") to create probabilistic models that enable proactive leak management and corrosion issues on gas pipelines in alignment with Pipeline and Hazardous Materials Safety Administration ("PHMSA") best practice. The company uses the tool to assess risks at the individual pipe asset level. Peoples will also use the model output to identify future safety-driven RRE projects through the IRP process and to plan field inspection and maintenance work, which will in turn reduce system integrity risk.

OTHER CHANGES

Q. In Peoples' last rate case you testified that the company faced difficulties in recruiting new employees. Are those challenges still present?

A. Yes. Peoples continues to face challenges in recruiting new team members. The company faces a highly active labor market, particularly for technical roles such as designers, engineers, project managers, specialized technicians, IT professionals and other industry specialists. As the largest LDC in the state, the pool of skilled natural gas talent outside the company is limited. Recruiting for these highly technical positions typically requires more time

and often necessitates out-of-state recruitment, compelling the company to compete with external markets for compensation levels. This situation exerts upward pressure on labor costs. Hiring experienced and technically trained experts is crucial as it directly impacts the safety and reliability of Peoples' gas distribution system.

III. CAPITAL PROJECT FORECASTING, BUDGETING, AND EXECUTION

Q. Please describe how Peoples classifies capital projects for internal purposes and capital budgeting.

A. The company classifies capital projects into three groups: (1) Growth projects; (2) RRE projects; and (3) Legacy Pipe Replacement ("Legacy") projects. Technology projects are considered RRE projects.

Q. Please explain how Peoples manages capital budgets.

A. The WCM team within ECT plays a critical role in managing capital expenditure throughout the year, ensuring a balance between Growth, RRE, and Legacy projects while meeting budget commitments. This requires a proactive and dynamic approach based on continuous forecasting of projects and growth to determine whether certain projects should be delayed or accelerated to meet business demands or needs

of customers. Unexpected challenges inevitably arise, and Peoples must make careful adjustments to optimize capital deployment while staying as close as possible to budget. The company has successfully demonstrated its ability to prudently manage capital, delivering results within one percent of our capital budget for the past two years despite these complexities. This achievement underscores our disciplined and strategic approach to capital planning and execution.

Q. Please describe the company's process for budgeting for new residential and small commercial projects and any changes to that process since 2023.

A. Peoples budgets the capital required for new mains, services, meters, regulators, and equipment needed to serve anticipated new residential and small commercial customers by considering historical performance and forecasted demand. Growth projects often span multiple years, with schedules that ebb and flow due to real estate market variability. Peoples periodically estimates the current project workload for identified residential developments expected in the upcoming year. The company then uses market data to estimate additional projects for scattered residential services and developments that are still in

early stages. Peoples then combines identified and forecasted projects to arrive at the total forecasted number of new units. The company next applies historical average unit rates, such as services, feet of main, and meter/regulators, to the units by service area as well as an inflationary adjustment factor to arrive at the budget. Peoples used a slightly different approach to prepare the budget for new residential and small commercial projects for 2026. The D&C team used the company's load forecast, instead of known projects and forecasted projects, to estimate the capital required to serve new customers by service area. Peoples validated this result by comparing it with the IRP and then applied the same historical average unit rates, adjusted for inflation, to develop the budget for these projects. This approach had two benefits. First, it allowed the company to complete the budget earlier than usual to accommodate development of the MFR Schedules and testimony for the company's 2025 rate request filing. Second, this method allowed the company to prepare the budget without relying on developer forecasts of identified projects in 2026 that may not be accurate.

Q. Please describe how Peoples budgets for large customer and RRE projects and any changes to that process.

A. Peoples' capital planning and budgeting processes for large customer and RRE projects are undergoing a transition. The 2024 IRP process led to a comprehensive review of all major projects, including an evaluation of existing capital project charters and the identification of new projects. Peoples assesses these capital projects based on safety, reliability, compliance, and growth and uses the IRP project database to develop preliminary cost estimates for the company's 2025 and 2026 budgets. Peoples then built its large project capital budget based on the IRP findings.

Once a project is included in the capital budget, the ECT team refines its design and cost estimates through the class estimating and gating process. Each project next undergoes internal approval governance, which varies based on project value, before being released for construction.

The IRP refresh and budget approval are annual events, but the needs of the business change constantly. All functional areas responsible for capital execution meet monthly to discuss capital execution performance, variances, new demand for capital, and other issues as a part of the new capital management process implemented by the WCM team. This process enables the company to react quickly to changing business needs, system needs, and customer needs.

Q. Once WCM develops a capital budget, how is that budget approved?

A. The company's capital budgets are approved by senior management and the company's Board of Directors annually as part of the overall budget approval process. Peoples also has an internal system of management approvals that considers construction, design, costs, safety, risks, and other factors before individual projects are approved for construction. The levels of approval are dependent on the project's materiality.

Q. Please explain the approval process for the company's higher dollar value projects and any changes to that process since 2023.

A. The process has not changed. Approval of Peoples' capital projects is governed by TECO Holdings' procurement policy. Peoples has a Capital Leadership Team ("CLT") that is made up of executives from Peoples, Tampa Electric, and Emera that are appointed by the Emera Chief Financial Officer ("CFO"). The CLT reviews all projects that exceed five million dollars. The CLT works with the project team proposing the project to ensure that the customer benefit, customer impact, financial analysis, and risk assessment

information used to evaluate the project is accurate and complete. The CLT then performs its review of the project and ultimately makes a recommendation to the President and CEO of Peoples, TECO Holdings' CEO, and the TECO Holdings' CFO. These officers then approve or reject the project. All company projects over $10 million must also be approved by the company's Board of Directors.

Q. Once the capital budget is approved, how does the company execute the approved projects?

A. Peoples proceeds with design, permitting, and construction work after a project is approved. ECT is responsible for engineering, construction, and commissioning for all project types (Growth, RRE, and Legacy).

The company uses construction contractors with negotiated "blanket" contract rates for construction of residential and commercial services, and other smaller projects. This encompasses most Growth and RRE projects including services, mains, the corresponding meter and regulator installations, and associated equipment. Peoples installed nearly 43,000 new services over the two-year period of 2023 and 2024.

Projects between $250,000 and $1.5 million are assigned to a project manager who leads the design, engineering, and construction process or designs the project and uses contractors to complete the work.

Larger and more complex projects not covered by blanket contracts require the use of formal construction bids and proposals.

Q. Why does the company use outside contractors to build capital projects?

A. Peoples engages experienced national contractors to deliver the safest and most cost-effective methods for constructing an annual average of 20,000 new services and managing all large-scale construction projects. These contractors have the equipment, expertise, and programs to ensure that Peoples can execute planned projects safely, timely and cost-effectively. Using outside construction contractors gives Peoples the ability to rapidly increase or decrease the resources applied to construction contracts and shift resources from one geographic area to another based-on customer demand. Relying solely on internal labor and owning and operating construction equipment for construction projects would otherwise limit Peoples'

ability to meet customer demand in a cost-effective and timely manner.

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

A. Peoples competitively sources or bids contractors to perform blanket capital projects. These contracts are typically in effect for multiple years. Peoples bids out larger construction projects on a project-by-project basis. The company uses construction project managers, job-site inspectors, and system-wide project management to monitor construction projects for compliance with construction standards and contractual provisions and to help avoid problems that may cause costly delays before they occur.

Q. What is the status of the company's existing blanket contracts?

A. Peoples has effectively tempered cost increases for blanket contract work over the last several years by using five-year contracts with fixed unit rates and set annual escalators. This arrangement shielded customers from

significant annual cost increases, even as inflation rates surged in the broader economy. Blanket contracts limited cost escalation over the past five years to well below general inflation rates.

These contracts are set to expire in mid-2025. To secure the best possible value for customers, the company is issuing a Request for Proposals ("RFPs") for blanket work. This RFP will focus on price, safety, and technical capabilities. Peoples plans to work with a smaller number of contractors to facilitate alignment between contractors and the company. Despite this proactive approach and the capital savings from DCPI, Peoples expects a step cost increase to reflect current market conditions when the new contracts are awarded. The major contributors to the cost increases are (1) higher material costs; (2) strong industry demand for outside contractors; (3) governmental, regulatory, and compliance requirements, including permitting and maintenance of traffic; (4) higher costs to retire, remove, and restore existing plant; and (5) new construction safety protocols and enhanced construction management, inspection, and quality control activities.

Q. Please describe how Peoples manages safety performance of construction activities and any updates to that process.

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

In 2018, Peoples implemented a Contract Business Partner Safety Program that helps to ensure pipelines are built safely, even though this has resulted in an increase in construction costs. This program is designed to ensure that there is adequate oversight of the contractors working on and constructing Peoples' system and reduce costs to customers by mitigating safety incidents. Peoples uses a third-party system, ISNetWorld.com, to track and review pertinent contractor documentation (e.g., drug and alcohol plan, safety program participation, insurance certification, etc.) and to verify the contractor's operator qualifications and inspection reports recorded by the company's inspectors. Peoples' Contractor Safety and Construction Management team monitor the inspection reporting for any potential safety issues including operator qualifications and respond when needed.

Q. What happens when construction projects are completed?

A. From an operations perspective, completed projects are placed under the care of the Operations and Measurement and Regulation team when they are placed in service and are monitored by the Gas Control team.

IV. ECT CAPITAL – 2026 TEST YEAR

Q. Please generally describe Peoples' plan for capital investment in the ECT area over the next two years.

A. Over the next two years, Peoples needs to make significant capital investments in RRE projects to ensure that the system remains safe, reliable, and resilient as our customer base grows, our system ages and becomes more complex. The company will also continue to forecast and plan for Growth projects and work towards replacement of Legacy pipes. My testimony describes our investments in 2024 and this plan for future capital investment in greater detail below.

Q. What was Peoples' Commission-approved capital budget for Growth, RRE, and Legacy projects in 2023, and how much did the company invest in those projects in 2023?

A. Peoples invested $359.1 million in Growth, Legacy, and RRE projects in 2023, as compared to $363.7 million in the

Commission-approved budget for those projects in 2023. This information is presented in Document No. 3 of my exhibit. The company's actual investment is within one percent of the Commission-approved budget.

The variances from the Growth and RRE categories shown in Document No. 3 of my exhibit are due to higher growth spending for blanket services, blanket mains, meters and regulators, and municipal relocation projects. Peoples responded to this growth by reducing spending where it could without compromising safety or reliability. The result was a reduction in RRE capital through deferment of certain projects, including the Tampa Main Downtown Project.

Q. How much capital investment did the Commission approve in Growth, RRE, and Legacy projects in the last rate case for the year 2024, and how does that compare to the company's actual investment in those projects in 2024?

A. Peoples met the Commission-approved capital budget in 2024. The company invested $314.1 million in 2024, as compared to $314.1 million in the 2024 capital plan approved by the Commission. This information is presented in Document No. 3 of my exhibit.

The variances in each budget category shown in Document No. 3 of my exhibit are due to increased growth spending, an unplanned customer-backed RNG Pipeline Project, and a Large Municipal Relocation Project. The company balanced the needs of customers, system safety, reliability requirements, and budget commitments and determined that the best course of action was to defer some projects, including the Tampa Main Downtown Project, Technology Investments, and others.

Q. How much capital does the company plan to invest in Growth, RRE, and Legacy projects in 2025 and 2026?

A. The company plans to invest $175.7 million in Growth projects in 2025 and $186.0 million on those projects in 2026. The company also plans to invest $144.5 million in 2025 and $224.3 million in 2026 on RRE projects. Finally, the company plans to invest $36.6 million in 2025 and $64.4 million in 2026 in Legacy Pipe Replacement. This information is shown in Document No. 4 of my exhibit.

The company's 2025 capital budget represents a 13 percent increase over 2024 and a 33 percent increase from 2025 to 2026. The material increase in 2026 capital spending is related to higher construction costs associated with

inflation as well as increased RRE spending, mostly in main replacements, distribution system improvements, gate station improvements, and technology investments required for a growing, aging, and increasingly complex system. These investments are prudent and necessary to maintain a safe, reliable, and resilient system.

Q. Do any of the other Peoples witnesses address the company's planned capital spending and rate base growth and why those investments are prudent and should be included in rate base for the 2026 test year?

A. Yes. Peoples' witnesses will address the company's capital spending as shown in Document No. 4 of my exhibit.

GROWTH PROJECTS

Q. Please describe the Growth projects managed by ECT planned for 2025 and 2026.

A. ECT plans to spend $150.2 million and $176.5 million in 2025 and 2026, respectively, on new revenue growth, which represents a one percent reduction in 2025 from 2024 and an 18 percent increase from 2025 to 2026. This is described in Document No. 5 of my exhibit. The company projects relatively stable residential and small commercial growth

over the period, with cost pressures resulting from the renewal of blanket contract rates coming into effect in the third quarter of 2025. These increases are somewhat offset by the DCPI project savings. The Growth budget also includes $25.5 million in 2025 and $9.5 million in 2026 for customer-backed RNG and CNG service pipelines. These projects make up the balance of the company's Growth budget.

Q. What categories of projects are included in the Growth Category of capital investment?

A. These projects include New Revenue Mains, New Revenue Services, Meters and Regulators, Measuring and Regulation Station Equipment, and CNG Interconnection and RNG Interconnection Pipeline.

Q. Please describe the New Revenue Mains, New Revenue Services, Meters and Regulators, and Measuring and Regulation Station Equipment Projects.

A. The New Revenue Mains, New Revenue Services, Meters and Regulators, and Measuring and Regulation Station Equipment Projects consist of construction and installation of facilities needed to meet new customer demand and extend

service to those customers.

Q. Please describe the company's investments in New Revenue Mains over the years 2024 through 2026.

A. Peoples invested approximately $55.3 million in New Revenue Mains, and $0.4 million in Allowance for Funds Used During Construction ("AFUDC")-earning projects for Revenue Mains in 2024. The company also plans to invest approximately $59.6 million in 2025 and $87.4 million in 2026 in Revenue Mains Projects. These figures are presented in Document No. 5 of my exhibit.

Q. Please describe the company's investments in New Revenue Services Projects over the years 2024 through 2026.

A. Peoples invested approximately $64.6 million in 2024 in New Revenue Services Projects and plans to invest $63.9 million and $62.7 million in 2025 and 2026, respectively. These figures are presented in Document No. 5 of my exhibit.

Q. Please describe the company's investments in Meters and Regulators Projects over the years 2024 through 2026.

A. Peoples invested approximately $29.4 million in Meters and Regulators in 2024 and plans to invest $25.7 million in this category in 2025 and $24.6 million in 2026. These figures are presented in Document No. 5 of my exhibit.

Q. Please describe the company's investments in Measuring and Regulation Station Equipment projects over the years 2024 through 2026.

A. Peoples invested approximately $2.3 million in 2024 and plans to invest approximately $1.0 million in 2025 and approximately $1.8 million in 2026 in Measuring and Regulation Station Equipment. These figures are presented in Document No. 5 of my exhibit.

Q. Why is the amount invested in Revenue Mains, Revenue Services, Measuring and Regulation Equipment, and Meters and Regulators Projects in 2024 prudent?

A. Revenue Mains, Revenue Services, Measuring and Regulation Stations, and Meters and Regulators Growth Projects are driven by customer demand and are subject to a business case evaluation process and the company's project approval processes. The company ensures that it is making prudent investments by advancing only the projects that serve

customer needs and are financially viable. Peoples follows the project management policies and procedures I previously described, including competitive bidding and project construction management, to ensure that these Growth capital projects are completed safely and cost-effectively.

Q. How did the company budget the amount it plans to spend on New Revenue Mains, New Revenue Services, and Meters and Regulators, and Measuring and Regulation Station Growth Projects in 2025 and 2026 and why are those amounts prudent?

A. Peoples' budget for these projects in 2025 and 2026 is reasonable and prudent because it follows the process for budgeting for new small residential and commercial projects that I previously described.

Q. Please describe the CNG and RNG Interconnection Pipeline Projects and the company's investments in those projects over the years 2024 through 2026.

A. CNG and RNG Interconnection Pipeline Projects are investments in pipelines (new revenue mains) that will serve customer-backed CNG and RNG Projects.

Peoples invested approximately $6.3 million in CNG and RNG Interconnection Pipeline Projects in 2024. Peoples plans to invest approximately $25.5 million in these projects in 2025. The company also plans to invest approximately $9.5 million in 2026. This information is included in Document No. 5 of my exhibit.

Q. Why is the amount invested in CNG and RNG Interconnection Pipeline Projects in 2024 prudent?

A. CNG and RNG Interconnection Pipeline investments are prudent investments because they are customer-backed projects and have a positive business case. A prospective CNG or RNG customer pays a monthly service charge through the relevant rate schedule that recovers the total installed cost, including a reasonable rate of return, of the facilities necessary to provide reliable CNG and RNG interconnection pipeline service. The agreement between the company and the customer may require a commitment by the customer to purchase service for a minimum period, to take or pay for a minimum amount of service, and/or to comply with other provisions as determined appropriate by the company. Peoples follows the project management policies and procedures I previously described, including competitive sourcing, to ensure that it completes these

projects at the lowest reasonable cost.

Q. How did the company budget the amount it plans to invest in CNG and RNG Interconnection Pipeline Projects in 2025 and 2026 and why is that amount prudent?

A. The company's Gas Supply and Development team has established relationships and ongoing discussions with CNG and RNG developers. The team assesses the likelihood of possible projects based on these discussions and submits projects for approval once a customer commits. Peoples identified two CNG Pipeline and four RNG Pipeline Projects in 2025 and 2026. These investments are prudent because CNG and RNG Pipeline investments are customer-backed projects with a positive business case.

RRE PROJECTS

Q. Please describe the RRE Projects managed by ECT that are planned for 2025 and 2026.

A. Projects in the RRE category: (1) ensure Peoples meets compliance requirements; (2) ensure continued safe operations; and (3) continue to proactively address any potential system capacity issues to deliver the resiliency customers depend on.

ECT plans to manage $65.0 million and $142.2 million in RRE capital in 2025 and 2026, respectively, to further these goals. This investment is presented in Document No. 5 of my exhibit. The technology investments described below for 2025 and 2026 are included in the planned RRE budget.

Q. What categories of projects are included in the RRE budget managed by ECT?

A. These projects include Distribution System Improvements, Main Replacements, Municipal Improvements, Measuring and Regulation Station Equipment, Measuring and Regulation Improvements, GIS GPS Barcode, Technology Projects, and Technology Projects (Shared).

Q. Please describe why the Distribution System Improvements, Main Replacements, Measuring and Regulation System Equipment, and Measuring and Regulation Improvement RRE Projects are prudent.

A. These projects are necessary to meet needs such as compliance requirements, improving system reliability, addressing capacity issues, and to ensure safety and pipeline integrity.

Q. Please describe the company's investments in Distribution System Improvements projects managed by ECT over the years 2024 through 2026.

A. Peoples invested $2.6 million in distribution system improvements in 2024. The company also plans to invest $13.6 million in 2025. Peoples plans to invest $49.8 million in distribution system improvements in 2026. These figures are presented in Document No. 5 of my exhibit.

Peoples will reinforce its system in 2025 and 2026 with critical investments to support safety and compliance and increase system resiliency in critical areas of South Florida (Miami-Dade), Ft. Myers, and Tampa. Some of the major projects in this area are a reconfirmation of the Maximum Allowable Operating Pressure ("MAOP") on the Dade City Pipeline in 2025 ($6.8 million). For 2026 we have identified several projects including: looping the Ft. Myers system to improve capacity and provide resiliency ($11.0 million); construction of a back feed between Stuart and Palm Beach to address system capacity concerns ($8.0 million); construction of a back feed for Coconut Grove – Brickell to enhance resilience and reliability ($7.8 million); and investments to increase system capacity in Dade-Broward ($6.0 million).

Q. Please describe the company's investments in Main Replacement projects managed by ECT over the years 2024 through 2026.

A. Peoples invested $3.4 million in main replacement projects in 2024. The company plans to invest $6.4 million in general main replacement projects in 2025, and $4.3 million for the Downtown Tampa Main Replacement Project (AFUDC-earning). In 2026, Peoples plans to invest in multiple main replacement projects including $6.5 million in general main replacement projects and $27.6 million in the Downtown Tampa Main Replacement Project (AFUDC-earning). These figures are presented in Document No. 5 of my exhibit.

Q. Please describe the company's investments in Measuring and Regulation Station Equipment and Measuring and Regulation Improvements Projects managed by ECT over the years 2024 through 2026.

A. Peoples invested $0.3 million in Measuring and Regulation Station Equipment in 2024 and plans to invest $0.3 million and $15.4 million in those projects managed by ECT in 2025 and 2026, respectively. Peoples also plans to invest $0.2 million in Measuring and Regulation Improvements in 2026. These figures are presented in Document No. 5 of my

exhibit. A large portion of the company's planned investment in this area relates to improvements at two existing gate stations in 2026 ($9.6 million).

Q. How did the company budget the amount it plans to invest in general Distribution System Improvements, Main Replacements, and Measuring and Regulation Station Equipment in 2025 and 2026 and why is that amount prudent?

A. The company identifies the need for RRE projects based on the expertise of subject matter experts across the company, including in Integrity Management, Operations, and Engineering. As I previously explained, the company uses the IRP database of projects to develop preliminary designs and cost estimates for the 2025 and 2026 budgets. These projects then go through the company's project review and approval process.

Q. Please describe the Downtown Tampa Main Replacement Project, how the company budgeted for this project, and why it is prudent for Peoples to invest in it.

A. This project involves the replacement of 12 miles of "cased" gas main and accompanying service lines in downtown Tampa. A cased pipe is a pipeline that is surrounded by a

protective casing pipe. In the case of the Tampa Downtown Main, this is a plastic pipe inserted in a steel pipe. Inserting a new plastic pipeline within an existing abandoned steel pipe was formerly an accepted practice because it simplified construction. This practice, however, can lead to integrity and leak detection risks.

Peoples originally planned to begin construction on this project in 2023 and complete construction in 2025. Due to higher growth in 2023 and 2024, the company deferred some RRE projects to meet its budget commitments. This included delaying the Tampa Downtown Main Project, which is now planned to begin in 2025 and be completed by the end of 2026, or one year later than originally planned.

Investment in this project is prudent because replacement of these mains will enable proper leak detection, provide easier pipeline location, allow operation at higher pressures, and provide better service for increased load in the downtown area. Peoples budgeted for this project using current high-level material and labor estimates to complete the project scope but has not completed engineering for the project at this time. Peoples ensures that it completes projects like this one cost-effectively and prudently using the project budgeting and management

methods I previously described.

Q. Please describe the Municipal Improvements Projects and the company's investments in those projects over the years 2024 through 2026.

A. Municipal Improvement Projects consist of work to relocate system assets located in existing rights-of-way to accommodate municipal construction such as road widenings. Peoples is subject to relocation requirements as a condition of its occupancy of public right-of-way. Relocation projects vary in size and scope. These projects can range from hundreds of thousands of dollars, such as for an intersection improvement, to tens of millions of dollars, for highway widening projects. These projects are necessary and prudent because the company is obligated to relocate natural gas assets due to municipal improvement projects. The company completes these projects prudently by following its construction and project management practices, including competitive bidding for larger projects or assignment of the work to blanket contractors. Peoples manages these projects with the same rigor as other projects and strives to safely deliver the projects on-time and on-budget.

Peoples invested $16.5 million in general municipal improvements projects in 2024 and $23.8 million for the AFUDC-earning U.S. Route 98 Relocation Project. The company plans to invest $24.2 million and $16.3 million in 2025 and 2026, respectively. Investments in 2025 include the conclusion of the US Route 98 Relocation Project ($5.9 million), eight smaller projects ($6.9 million), and approximately $11.4 million for other projects based on trending. In 2026, there is only one small known project ($0.5 million) and the balance of investment for that year, or approximately $15.8 million, is related to anticipated or projected work. Budgeting is based on historical trends.

Q. Please describe the U.S. Route 98 Relocation Project, how the company budgeted for this project, and why it is prudent for Peoples to invest in it.

A. The Florida Department of Transportation ("FDOT") is currently working on a project to widen U.S. Route 98 in Polk and Pasco Counties. Peoples is required to relocate 12 miles of pipe located in FDOT right-of-way to accommodate the highway project and to upgrade three main line valves due to a new PHMSA requirement.

FDOT advised Peoples of the project in late 2022, which

allowed the company to plan for and budget the project. The project was budgeted to cost $40.1 million with construction starting in July 2024 and ending in April 2025.

Peoples' investment in this project is prudent because it is required under Title XXVI, Chapter 337, Section 403 of the Florida Statutes, which requires utilities in conflict to relocate assets at owner's expense. Peoples will complete the project using the company's judicious project cost management, which I previously described. Peoples currently projects that the project will be completed on time and under budget.

Q. Please describe the Technology Projects and the company's investments in those projects over the years 2024 through 2026.

A. Peoples invested approximately $5.2 million in Technology Projects in 2024 and plans to invest $14.4 million and $21.9 million in those projects in 2025 and 2026, respectively, as shown on Document No. 5 of my exhibit.

Q. Why was the amount invested in the Technology Projects in 2024 prudent?

A. Investments in technology support safe and efficient operations. The $5.2 million invested in 2024 was spread over 16 different Technology Projects with only one over $0.5 million. These smaller projects supported efficient operations, such as WAM upgrades and enhancement, and safety investments including upgrades to integrity management software, GIS, management of change, and safety training and cyber security requirements from the Transportation Safety Administration ("TSA"). The only project over $0.5 million was the PGAS to FlowCal Project ($2.1 million), which improved the company's measurement capabilities for large industrial customers. These investments in efficiency, safety, compliance, and cyber security are all necessary and prudent investments.

Q. How much capital does the company plan to invest in technology Projects in 2025 and 2026?

A. Peoples plans to invest $16.3 million and $26.4 million in Technology Projects in 2025 and 2026, respectively, as shown in Document No. 5 of my exhibit. This excludes $2.0 million and $2.9 million in Customer Experience Technology Projects in 2025 and 2026, respectively, as discussed by Peoples witness Rebecca Washington in her direct testimony. It includes asset allocations from Tampa Electric for

enterprise technology investments of $1.9 million in 2025 and $4.5 million in 2026, resulting in net direct investments by Peoples of $14.4 million in 2025 and $21.9 million in 2026.

The direct technology investments by Peoples include numerous smaller projects, including 17 in 2025 and 19 in 2026. These projects are necessary to serve a variety of needs including the replacement of legacy systems, providing better decision-making insights, upgrades to existing systems, and investments in safety and efficient operations. The most notable of the direct Peoples technology investments in 2025 is the Pipeline Insights data and governance project ($3.3 million) and a new Ticket Management System ($2.0 million). For 2026, the most notable technology investment is phase two of Pipeline Insights ($5.0 million). The remaining projects are smaller in scope, consisting mostly of upgrades and maintenance.

Q. Please describe Pipeline Insights.

A. Peoples is implementing a Data Strategy and Governance Framework, also known as Pipeline Insights, to create a well-organized and reliable cloud-based data repository that will house the company's data and support business

needs. The company is also establishing a Data Governance Committee and processes that will oversee data management to maintain data quality and accessibility. This strategy will address several challenges identified by a team within Peoples, including multiple disconnected data sources; a lack of centralized data management; unclear governance structures and processes; concerns with data accuracy; and delays in retrieving critical business information.

Peoples will use Tampa Electric's existing cloud environment to host its own data and will incorporate Tampa Electric's lessons learned and best practices. This will provide Peoples with full control over its data, better governance, improved data management, more reliable analytics and, in the future, deployment of artificial intelligence. This approach simplifies the costly and complex challenges that business functions face, ensuring they have access to accurate and timely data for decision-making.

Q. How did the company budget the amount it plans to invest in Technology Projects in 2025 and 2026 and why is that amount prudent?

A. The IT team and the TSC oversee development of Peoples'

Technology Roadmap through the process I previously described. Like all other projects, Technology Projects must go through the company's approval process before proceeding to execution. This process ensures that Peoples' technology investments are prudent.

Q. Please describe the Technology Projects (Shared) and the company's investments in those projects over the years 2024 through 2026.

A. Peoples invested $2.3 million in Technology Projects (Shared) in 2024 and plans to invest $1.9 and $4.5 million in those projects in 2025 and 2026, respectively, as shown on Document No. 5 of my exhibit. These investment amounts exclude investment in Customer Experience related technology, which is addressed by witness Washington's testimony.

Q. Why was the amount invested in the Technology Projects (Shared) in 2024 prudent?

A. This project category represents Peoples' portion of IT investment for shared systems with affiliates. These projects include upgrades and enhancements to applications that support key business functions, including safety,

legal, regulatory, data governance, data management, real estate, security, and compliance. These improvements ensure applications are well supported by their providing vendors, are cyber secure, and meet business and compliance requirements.

Q. How did the company budget the amount it plans to invest in Technology Projects (Shared) in 2025 and 2026 and why is that amount prudent?

A. All expenditures shown in Document No. 5 of my exhibit were selected after careful consideration of the company's IT needs and examination of available alternatives. Peoples will complete these projects using the company's procurement practices, which are designed to purchase goods and services at the lowest reasonable cost. The projects enable the company to provide safe, reliable, resilient, and efficient service to customers and are prudent.

LEGACY PROJECTS

Q. Please describe the Legacy Projects planned for 2025 and 2026.

A. Peoples has legacy assets such as legacy cast iron pipe and bare steel pipe ("CI/BS") and problematic plastic pipe

("PPP") that it must replace to ensure long-term reliability and system integrity.

In 2012, Peoples began a program to retire and replace all CI/BS pipe from its system through the CI/BS Replacement Rider ("Rider CI/BSR"), which was approved by the Commission in Docket No. 20110320-GU, by Order No. PSC-12-0476-TRF-GU, issued on September 18, 2012. The Commission later approved extending the program to include PPP.

Replacement of high-risk legacy pipe is prudent because it will minimize safety risks and improve operational reliability for Peoples' customers and the public. The CI/BS replacement program has enhanced the safety of Peoples' distribution system and has reduced methane emissions by mitigating pipeline assets that have a higher prevalence for leaks.

Q. Please describe the company's investments in Legacy Projects over the years 2024 through 2026.

A. Peoples invested $7.6 million in CI/BS Replacements and $16.8 million in PPP Replacements in 2024. The company plans to invest $4.5 million in CI/BS Replacements and $32.0 million in PPP Replacements in 2025. Finally, Peoples

plans to invest $3.9 million in CI/BS Replacements and $60.4 million in PPP Replacements in 2026. These figures are shown in Document No. 5 of my exhibit.

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

A. Peoples will have replaced all but approximately 0.5 miles of CI/BS pipe, or a total of 447 miles, by the end of 2025. The replacement of the remaining 0.5 miles of CI/BS is delayed due to a local government-imposed construction moratorium in place until 2027.

Peoples removed all remaining low-pressure pipelines from the system as of mid-2019. These low-pressure pipelines were considered high safety risks since there are no added protections (e.g., pressure regulators) installed at the connected customer premises.

Peoples began replacing PPP on July 1, 2017, and has replaced approximately 278 miles of PPP since that date. By the end of 2025, the company will have approximately 235 miles of PPP remaining for replacement. The company expects to complete PPP replacements by 2028.

V. ECT O&M BUDGET – 2026 TEST YEAR

Q. What level of O&M expense did the Commission approve in the last rate case for the year 2024 for the FERC Accounts sponsored in your testimony, Accounts 870, 872, 873, 875,876, 877, 885, 888, 889, 890, 891 and how does that compare to the company's actual O&M expense related to these accounts for 2024?

A. The Commission approved approximately $7.0 million of O&M expense for the FERC Accounts I sponsored in the last rate case. The company's actual O&M expense for these accounts in 2024 was $7.2 million.

Q. How do the employee counts in ECT compare to the employee counts in Peoples' last rate case?

A. Peoples projected that ECT would have 195 team members in 2024 and ECT had 185 team members at the end of the year.

Q. Please explain why ECT did not hire all the positions approved in the last rate case.

A. The Commission approved 41 additional ECT positions for 2023 and 2024 in the last rate case. The company filled 30 of the 41 positions as of December 31, 2024 as shown in

Document No. 6 of my exhibit.

These 11 unfilled positions, which were all in FERC Account 870, include the following: (1) Peoples postponed the hiring of five positions in the WCM group while the company developed its IRP and capital management processes; (2) Peoples outsourced a Construction Coordinator and a Construction Inspector position while the company continues to evaluate and monitor workload; (3) the company continues active recruitment for a System Modeler, a very specialized and difficult to fill position, while relying on consultants in the interim; and (4) two Contractor Inspectors and a Gas Design Project Manager were both repurposed to service areas differing from what was request in the company's last rate case.

Q. Does ECT plan to hire team members in 2025 and 2026?

A. Yes. We plan to hire 24 team members in 2025 and 39 in 2026. The 2025 additions include 15 replacements to fill vacancies as of the end of 2024 and nine new positions. Of the nine new positions in 2025, two positions are the result of insourcing. In 2026, all 39 additions are new, with 12 resulting from insourcing. The planned positions are included in MFR Schedule G2 pages 19c - 19e.

Q. Why is it necessary to hire these new team members?

A. ECT's need for new team members is primarily due to three contributing factors: customer growth, insourcing, and filling vacancies.

First, as Peoples' customer base grows, so does its system. ECT must match this growth to meet the ongoing demand for system expansion and to ensure continued safe and reliable operations. Seven of the planned additions in 2025 and 27 additions in 2026 are intended to meet Peoples' increasing workload associated with customer growth. Second, Peoples is also working to insource some functions that are currently performed by external contractors. This insourcing effort is associated with two additional positions in 2025 and 12 in 2026. These additions will result in offsetting costs from external contractors or Tampa Electric. Finally, 15 of the proposed hires for 2025 are not new positions but are instead hires to fill existing vacancies.

Each of ECT's functional areas have different requirements and justifications for the additional team members, each based on the above-mentioned contributing factors.

Q. Please describe the team member additions by functional area.

A. As shown in Document No. 9 of my exhibit, for 2025, Peoples' ECT team plans to expand its workforce in 2025 by adding three team members in E&C, 13 team members in D&C, two in WCM, and six in IT. In 2026, the ECT team plans to add two team members in E&C, 24 in D&C, two in WCM, four in SC, and seven in IT. These include new positions and replacements to fill vacancies.

Q. Please explain why team member additions are needed for the E&C team.

A. As shown in Document No. 9 of my exhibit, Peoples plans in 2025 to replace three E&C positions vacant as of December 31, 2024. In 2026, Peoples plans to hire two new positions for the E&C function including an Estimator and a Records Specialist. Engineers currently provide estimates for new large projects driven by customer demand and/or reliability. Over the past two years, the engineering team has completed approximately 140-150 estimates annually, averaging 2-3 estimates per week. The division of estimates among team members has led to inconsistencies in work products. The team also must rely on outside contractors

at times due to customer-required timelines or capacity issues. Hiring a dedicated Estimator will free up higher-skilled engineers to focus on more complex and challenging engineering work, reduce external contractor costs, and enable more consistent and timely internal estimates or engineering designs to ensure the needs of customers are met.

The complexity of managing maps and records, a critical safety task, continues to grow along with Peoples. The second new position, a Records Specialist, will set standards for all new records generated and will ensure all historical records are managed for accuracy and digitized.

Q. Please explain why team member additions are needed for the D&C team.

A. As shown in Document No. 9 of my exhibit, Peoples plans in 2025 to replace twelve positions vacant as of December 31, 2024. Additionally, Peoples plans to add one new position to its D&C team in 2025 and 24 new positions in 2026. The 2025 addition will support Peoples' relationship with our contracted workforce. Two of the 2026 additions will be Construction Coordinators, one each in the Southwest and

North territories. These team members will support permit closures, update maps and records, and coordinate between customers and contractors to provide both positive customer service as well as an efficient construction process. The company will add one and insource three Gas Design Technicians (four total) in 2026 to support a growing system design workload. The company will add an administrative specialist and a contractor program manager. These two new team members will help manage the construction contractors and improve business processes. Five 2026 additions are insourced construction inspectors. This group, on average, designs and builds over 20,000 new services, installs over 400 miles of new mains, and completes legacy pipe replacement and relocation projects totaling over 1,700 services and nearly 100 miles of replacements each year. The D&C team, not including M&R and Gas Control, is responsible for distribution system construction and therefore, approximately 90 percent of their time is charged to capital. The remaining 11 new positions to the D&C team in 2026 are for the M&R and Gas Control groups within the D&C team. These additions will be discussed below.

Q. Please explain why team member additions are needed for the M&R team within D&C.

A. The existing M&R team has been operating at capacity for some time as work volume continues to increase without commensurate increases in employee count. Peoples plans to add eight new positions to this team in 2026, including a Measurement Engineer; a Compliance Program Manager; three Instrumentation and Controls Technicians; two Measurement Technicians; and one Compressor and CNG Technician. These new team members will help ensure the safe and reliable operation of the company's measurement and regulating equipment and compressor station.

The M&R team has only increased field staff by two team members (from 17 to 19) since 2019 to support an increasingly complex system due to system growth and more stringent safety and regulatory requirements. The team is responsible for maintenance and care of 120 gate stations and measurement sites; 400 SCADA sites, which include over 800 Operational Technology (OT) devices; and the testing of all industrial meters. The team has seen increased workload due to the addition of two new gate stations and two RNG transfer points; new requirements from the TSA for cyber and physical security; and PHMSA's Mega Rule Rin2, which required the addition of five new Rupture Mitigation Valves and gas sampling requirements. A combination of these factors requires significantly more field visits,

and these field visits will continue to increase in the future due to increased meter testing driven by growth and additional facilities required by RNG interconnection pipelines. In addition to the increased quantity of field visits, field team members cover the entire state, and the growth of the state and congested roads add to the time to complete each field visit as well.

Not only are these positions needed for the safe and reliable operation of Peoples' most critical assets during blue skies, but these are the same team members who ensure the Gas Control team can safely continue to operate these facilities 24/7 through all conditions including hurricanes. These new positions are necessary for the M&R team to meet evolving operational needs and provide reliable, efficient, and forward-thinking services.

Q. Please explain why team member additions are needed for the Gas Control team within D&C.

A. Gas Controllers operate gas systems like air traffic controllers operate airports. These controllers use the gas control system, known as SCADA, to monitor and control the gas system. Peoples must hire more highly trained individuals supported by appropriate systems to ensure safe

and reliable service as the number of gas system assets increases and as the system becomes more complex. Peoples plans to add three new positions in Gas Control in 2026, including a Technology Analyst to help maintain and improve SCADA, and two additional Gas Controllers. These new team members will help reduce the risk of pipeline incidents by balancing workloads and preventing fatigue. These additions will also bring the company closer to the recommended staffing levels as defined by the PHMSA White Paper "Staffing of Regular, Cyclic 24/7 Operations".

Q. Please explain why team member additions are needed for the WCM team.

A. Peoples plans to add two new positions in 2025 and two in 2026 in the WCM team. The new positions represent the continued staffing of the WCM team established in 2023. These new positions will further enhance capital planning and management, advance the IRP as a comprehensive and sophisticated long-term strategic capital planning tool and reinforce capital governance for capital planning and execution to deliver value for customers.

Q. Please explain why team member additions are needed for the SC team.

A. Peoples plans to add four new positions in the SC team in 2026. Two of these additions are based on recommendations from the company's supply chain consultant and the Peoples SCOM. The first of these two positions, the Fleet Senior Analyst, is necessary because Peoples currently has one individual managing a fleet of over 701 vehicles and 14 facilities as of December 2024. The second of the two positions is a Senior Buyer that will help support the annual procurement of $55.0 million in materials. The other two positions are the result of insourcing from Tampa Electric, which will result in a reduction of allocations from Tampa Electric procurement and will assist in contract administration including preparation, solicitation, negotiation, award, and commercial management.

Q. Please explain why team member additions are needed for the IT team.

A. Peoples' IT group plans to add six new positions in 2025 and seven in 2026. Four of the 13 new positions are necessary to support the company's continued investment in GIS, SCADA, Gas Management System, WAM, and other systems. Five new positions will support the company's Data Strategy, also known as Pipeline Insights. The remaining four positions are due to insourcing to support current

systems, including two positions to support WAM.

Q. How are the amounts charged to Peoples in the ECT area changing in 2025 and 2026?

A. The methodologies for charging costs from Tampa Electric and Emera to Peoples have not changed. This methodology is explained by witness Chronister.

Q. What are the budgeted amounts of O&M expense in 2025 and 2026 for the FERC Accounts you sponsor?

A. Peoples projects that the O&M expense for the FERC Accounts I sponsor will be approximately $7.6 million in 2025 and $8.6 million in 2026.

Q. How does the 2026 projected O&M expense for your sponsored FERC Accounts compare to inflation and growth adjusted benchmark projection?

A. My sponsored FERC Accounts are included in Line 1 – Distribution of the company's benchmarking comparison by function found in Document No. 10 of Peoples witness Nichols' testimony exhibit. The Distribution O&M embedded in this rate filing is lower than the projected benchmark

of approximately $54.6 million by $2.9 million when adjusted for growth and inflation. The Distribution line also includes FERC Accounts sponsored by witness O'Connor and is therefore also discussed in his direct testimony.

Q. Please explain the categories of O&M expenses that show an increase over the level of O&M experienced in 2024.

A. Table No. 1 in Document No. 7 of my exhibit shows the categories of O&M expenses that show an increase over levels in 2024.

These increases are largely driven by non-trended costs related to increased labor (see Table No. 2 in Document No. 7 of my exhibit) and other costs in FERC Accounts 870, 887, 892, and 930.2. In fact, non-labor, non-trended O&M cost increases are largely due to FERC Accounts 887 & 930.2. FERC Account 887 represents Transmission Integrity Management Program ("TIMP") pipeline reassessment and risk analysis costs. Pipeline integrity compliance costs can vary from year-to-year depending on which pipelines are due for assessment and inspection. As discussed in witness Nichols' testimony, TIMP costs are expenses charged to O&M using a levelized annual amount with differences in actual costs recorded as a regulatory asset or liability. The

company received Commission approval to use reserve accounting treatment for TIMP in its last two rate cases. An increase in the annual levelized expense of $1.7 million is required in 2026 (compared to 2024 and 2025) due to actual costs exceeding the levelized expensed amount for the last three-year period and significant costs for two reassessment projects required in the outer year, 2028, of the coming three-year period. The other FERC Account, 930.2, accounts for an increase of $0.5 million in 2026 when compared to 2025 or $0.9 million when compared to 2024. This represents prudent costs including increased asset usage fees, costs for moving data storage to cloud base, and licenses and support for integral applications.

The remaining drivers of the O&M increases in 2025 and 2026 are due to non-trended labor costs required for the continued safe and reliable operations of the company's growing system. A summary of non-trended labor costs is included in Document No. 8 of my exhibit and a summary of the positions to be added is included in Document No. 9 of my exhibit.

Q. What steps is ECT taking to control the level of O&M expense for 2025 and 2026 while maintaining safe and reliable gas service?

A. The ECT team takes several steps to control the level of Peoples' O&M expenses. First, the SC team continually strives to find savings through competitive bidding practices, competitive sourcing, and supplier relationship management, among others. Second, the M&R team is currently reworking the M&R technician job progression path to combine roles by cross-training team members. This will result in reduced truck rolls responding to needs at individual gate stations and ultimately result in lower O&M cost per maintenance activity and reduce the number of additional resources needed in the future. Third, projects like the DCPI Project largely impact capital efficiency, but also influence culture by promoting continuous improvement which impacts all aspects of managing work. Fourth, Peoples is working to in-source meter testing work for our large industrial meters. Finally, Peoples is investing in several technologies to improve the remote readability of our assets. This includes investment into an Access Point Name ("APN") network to ensure reliable and protected customer measurement data, installation of generators at critical sites for backup power during storms, and dual communication pathways for critical sites to enhance reliability of these sites post storms, which in turn will improve system resilience and safety and decrease the need for technicians to respond to power or

communication outages.

Q. Is the projected level of O&M expense in the FERC Accounts you sponsor for 2025 and 2026 reasonable?

A. Yes. The O&M budget required by ECT to prudently serve customers while maintaining safe and reliable operations is reasonable when considering both trended cost increases, non-trended cost pressures, and the justifications related to technology support, integrity management, and additional team member requirements. The ECT team also works proactively to manage O&M expenses, as I previously explained.

Q. What work does ECT perform for SeaCoast Gas Transmission?

A. On occasion, the E&C team provides engineering and construction services for SeaCoast Gas Transmission ("SGT") and reviews potential SGT projects. The SGT project estimating process mirrors Peoples' process. The E&C team first models the project to assess hydraulic and design requirements and then prepares a cost estimate. If SGT decides to advance the project, E&C will continue to refine the estimate using the class estimating process. The team will then manage the project for SGT. One exception,

however, is the Callahan Pipeline Project, which was constructed by and is maintained by Peninsula Pipeline Company ("PPC"). Once a SGT project goes in service, Peoples' Gas Operations group maintains the project facilities and Peoples' Gas Control group monitors and controls those facilities. Peoples witness Chronister discusses how Peoples attributes and allocates costs to SeaCoast in his direct testimony.

Q. What steps has ECT taken to promote affordability?

A. The ECT team works to promote affordability by managing and controlling costs and improving efficiencies. The ECT team has completed several projects since 2023 which will promote affordability, including the DCPI Project, the blanket contract RFPs, and process management improvements for large capital projects.

VI. SYSTEM CAPACITY AND FUTURE RESILIENCE PROJECTS

Q. You mentioned earlier that Peoples often adjusts its capital plans based on new demand or customer requirements. Please provide an example.

A. One recent example of a change in our customers' needs that affects system planning is the growing number of customer-

owned natural gas back-up generators on our system. Peoples recently became aware of the growth in customer-owned generators during Hurricanes Helene and Milton.

Q. What did Peoples learn about customer-owned generators during Hurricanes Helene and Milton?

A. These storms caused many large-scale power outages, including in the Tampa Bay area. During these events, Peoples customers took advantage of the resiliency of natural gas to power their homes with home backup generators fueled by natural gas. Peoples did not anticipate the load from these generators and the company's system was not able to keep up with the demand in a few parts of South Tampa. This caused numerous customers to contact the company to express concern with their natural gas service. Peoples learned through this process that there are approximately five to six times more home generators connected to the system than previously known. Peoples' system was not originally designed for this level of demand from home generators, and some customers had not appropriately prepared their generators for service.

Q. What steps can Peoples take to ensure that its system can support large loads from residential home generators?

A. There are two critical factors in ensuring the system can support large residential loads, including home generators. First, ensuring residential meters have the proper equipment, and second, ensuring the pipelines have sufficient capacity to supply adequate volumes of natural gas for customer appliances. Pipeline capacity is dependent on pipeline size (diameter) and system pressure.

To resolve system capacity issues like the one experienced in South Tampa, the company needed to confirm and understand where home generators were on the system ("generator load") including their location and size (the kilowatts of each). Peoples obtained high-level installation data from discussions with the three primary generator manufacturers and their key authorized dealers/installers for the area. Peoples then gathered other data from sources such as permitting information, discussions with residents, and discussions with City officials. Peoples also dispatched field technicians to confirm that house meter equipment was sized adequately for their appliances, including home generators. These technicians replaced any house meter equipment they determined to be inadequately sized.

In addition, the company conducted various modelling

scenarios to determine what system modifications were required to ensure adequate supply for each customer. System modifications include new distribution interconnections, removal of regulator stations, installation of excess flow valves, system pressure testing, and other modifications. Each area has its own system characteristics and unique customer-load profile, and so the solution to address the home generator issue in each area is also unique. The many smaller projects required to address South Tampa are under construction and expected to be completed in 2025.

Q. Are there differences between each residential home's back-up electric generation? And how does that impact the system's needs?

A. Yes. Peoples must consider both load (number and size of generators in an area) and supply (capacity for the system to serve the generators in an area) to determine how to support those generators. Home generators come in various sizes and capacities (how many kilowatts they can generate), which dictates how much natural gas they consume. The number of home generators on a particular street, neighborhood, or part of the system impacts the system's ability to serve that load. From the system

perspective (supply side), the system characteristics (size of pipe, maximum operating pressures, etc.) serving an area with home generators are considered when analyzing its ability to meet the system load need.

Q. Is Peoples aware of every back-up residential electric generator on its system?

A. No. The experience with South Tampa has proven that many home generators have been installed on the company's system without its knowledge. We have also learned that this is a challenge faced by many of our peers.

Q. What is Peoples doing to identify the back-up electric residential generators connected to the system?

A. The company has a multi-faceted approach to identify generators on its system and to ensure it is notified when home generators are installed in the future. This approach includes asking customers to report home generators, evaluating permitting data (where available), working with the major generator manufacturers to better understand where generators have been sold, working with generator installers to develop a customer intake process for new generators, and direct contact with customers via

traditional means like bill inserts. Peoples is also using a generator intake form developed by Peoples and distributed by generator installers to enable customers to directly provide generator information in an efficient manner.

Q. How does Peoples plan to identify and address other problem areas on the system?

A. Based on the experience in South Tampa, Peoples believes this situation exists elsewhere on the system but cannot yet define the exact location or magnitude of the issue. The company is currently working to develop its understanding of the number, size, and location of home generators that are currently on the system. Once Peoples collects this information, the company will complete models and analysis to determine which areas of the system are a concern. Lastly, we will design and construct a solution specific to the area in question. Each solution will be unique and may include resolving upstream capacity issues.

Q. Can every customer on Peoples' distribution system add a home back up natural gas generator?

A. It is unlikely. We expect that, given the expense of a

generator, most homeowners living in areas not prone to storm damage or electrical outages will not choose to have generators. As with any system, 100 percent redundancy is extremely costly, and we expect all customers would not want to bear it.

Q. What is the process to identify the needs, design a solution, and construct that solution to resolve any existing challenges in meeting a reasonable level of back-up generation across Peoples' distribution system?

A. The company is currently developing a comprehensive plan to outline system capacity issues for each of its 14 service areas, propose prioritized solutions based on risk, develop a projected timeline to address those issues, and prepare a detailed implementation strategy. Peoples will also prepare a multi-year capital plan to ensure the company can deliver on the resiliency customers have come to expect from natural gas.

Q. What areas on Peoples' distribution system are priorities to improve the ability to meet residential back-up electric generation?

A. The priority is to address the issues identified in South

Tampa during Hurricanes Helene and Milton. As the company advances the plan to address the issue in other parts of the system, it will evaluate each service area based on the total number of known home generators, hurricane risk, system characteristics, and other factors. That work is not yet completed but there is a general sense that other areas in Tampa (older parts of the system), Jupiter (high-growth), Miami-Dade (older system) and Ft. Myers (high growth) will be prioritized areas.

Q. Are system improvements to address system resiliency concerns caused by generators included in the 2025 and 2026 budget?

A. The 2025 and 2026 capital budgets include $2.8 million in 2025 and another $2.8 million in 2026 to address the system resiliency concerns in South Tampa identified during Hurricanes Helene and Milton. Work to define other areas of concern is ongoing and the company may seek approval at a future time to recover any incremental costs once the company designs a proper solution and develops a cost estimate for the work.

Q. Are there other examples of new demand or customer requirements that will impact the company's future needs

for capital?

A. Yes. Back-up generators are not the only source of new demand in established areas of our service territory. Some of the areas we serve have been re-developed since we originally installed our facilities, which can change the demand for gas in those areas. Peoples is evaluating and will develop plans to upgrade existing facilities to meet demand not anticipated when our facilities were originally installed whether the increased demand is caused by generators or other factors.

VII. MFR SCHEDULES SPONSORED

Q. Please provide an explanation of the MFR Schedules you are sponsoring.

A. The following descriptions summarize the MFR Schedules that I sponsor or co-sponsor with other witnesses.

MFR Schedule C-38: I co-sponsor pages one and four which provide the O&M benchmarking variance for distribution expenses and administrative and general expenses.

G-01: Specifically, I co-sponsor pages 23 and 26 which provide the company's construction budget for the historic

+ 1 and projected test years, respectively.

MFR Schedule G-02: I co-sponsor pages 12, 13 and 19 which provide a schedule of the projected O&M expenses for the company's projected test year.

MFR Schedule G-06: I co-sponsor this schedule which provides the major assumptions used to develop the company's projected test year.

VIII. SUMMARY

Q. Please summarize your prepared direct testimony.

A. Peoples' ECT team prudently forecasts, budgets, and executes capital projects and manages its O&M expenses while ensuring that the company can provide safe, efficient, and reliable service to our customers. The Commission should find that the ECT team's capital investments in 2024, proposed capital budgets for 2025 and 2026, and proposed levels of O&M expense for the projected 2026 test year are reasonable and prudent.

Q. Does this conclude your prepared direct testimony?

A. Yes.

(Transcript continues in sequence in Volume 3.)

CERTIFICATE OF REPORTER

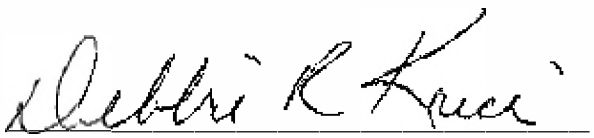
STATE OF FLORIDA)
COUNTY OF LEON)

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 5th day of November, 2025.



DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #HH575054
EXPIRES AUGUST 13, 2028