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November 14, 2002

VIA HAND DELIVERY

Blanca S. Bayo, Director
Division of Records and Reporting
Betty Easley Conference Center
4075 Esplanade Way
Tallahassee, Florida 32399-0870

Re: Docket No.: 020384-GU

Dear Ms. Bayo:

On behalf of the Florida Industrial Gas Users (FIGU), enclosed for filing and distribution are the original, a disk and 15 copies of the following:

- ▶ The Florida Industrial Power Users' Prehearing Statement.

Please acknowledge receipt of the above on the extra copy of each and return the stamped copy to me. Thank you for your assistance.

Sincerely,

Vicki Gordon Kaufman
Vicki Gordon Kaufman

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a rate increase by
Tampa Electric Company d/b/a Peoples
Gas System

Docket No. 020384-GU

Filed: November 14, 2002

FLORIDA INDUSTRIAL GAS USERS' PREHEARING STATEMENT

In compliance with Order No. PSC-02-1031-PCO-GU Establishing Procedure, the Florida Industrial Gas Users (FIGU) files its Prehearing Statement.

A. APPEARANCES:

JOHN W. MCWHIRTER, JR., McWhirter Reeves McGlothlin Davidson Decker Kaufman & Arnold, P.A., 400 North Tampa Street, Suite 2450, Tampa, Florida 33601-3350 and **VICKI GORDON KAUFMAN**, McWhirter Reeves McGlothlin Davidson Decker Kaufman & Arnold, P.A., 117 South Gadsden Street, Tallahassee, Florida 32301

On Behalf of the Florida Industrial Gas Users Group

B. WITNESSES:

None.

C. EXHIBITS:

None. However, FIPUG reserves the right to utilize appropriate exhibits in cross-examination.

D. STATEMENT OF BASIC POSITION:

FIGU has taken no position on rate base, operating and maintenance expense, or return issues, but demands strict proof from Peoples as to its entitlement to the revenue claimed. FIGU has employed consultants to examine the cost of service study presented by Peoples in this case and has determined that it is appropriate. FIGU does not protest the proposed rate design except for multiple meter charges for a customer served at a single premises.

E. STATEMENT OF ISSUES AND POSITIONS:

ISSUE 1: Is Peoples quality of service adequate?

FIGU: Yes.

ISSUE 2: Is Peoples test year request for permanent rate relief based on a historical test period ending December 31, 2001, and a projected test period ending December 31, 2003, appropriate?

FIGU: FIGU takes no position.

ISSUE 3: Are the customer growth and therm forecasts by rate class appropriate?

STAFF PROPOSED

STIPULATION: The projected customer growth and therm forecasts by rate class contained in MFR Schedule G-2, pages 6a through 8d are appropriate.

FIGU: Yes.

RATE BASE

ISSUE 4: Should an adjustment be made to Plant, Accumulated Depreciation, and Depreciation Expense for canceled or delayed projects?

FIGU: FIGU takes no position.

ISSUE 5: Should an adjustment be made to Plant, Accumulated Depreciation, and Depreciation Expense to reflect the fact that the Company is under-budget for plant additions through mid-2002?

FIGU: FIGU takes no position.

ISSUE 6: Should an adjustment to increase revenues or to decrease plant in service, accumulated depreciation and depreciation expense be made associated with the Company's \$3 million addition to plant in service - revenue mains for projects related to the Gulfstream pipeline?

FIGU: FIGU takes no position.

ISSUE 7: Should an adjustment be made to plant retirements for the projected test year?

FIGU: FIGU takes no position.

ISSUE 8: Should rate base be reduced to remove inactive service lines that have been inactive for more than five years?

FIGU: FIGU takes no position.

ISSUE 9: Should an adjustment be made to plant for meter and regulator cost savings related to strategic alliances?

FIGU: FIGU takes no position.

ISSUE 10: Should an adjustment be made to reduce Plant, Accumulated Depreciation, Depreciation Expense, and other expenses to reflect non-utility operations?

FIGU: FIGU takes no position.

ISSUE 11: Should an adjustment be made to the allocation of inter-company costs?

FIGU: FIGU takes no position.

ISSUE 12: What is the appropriate amount of Construction Work in Progress (CWIP) for the projected test year?

FIGU: FIGU takes no position.

ISSUE 13: What is the appropriate projected test year Total Plant?

FIGU: FIGU takes no position.

ISSUE 14: What is the appropriate projected test year Depreciation Reserve?

FIGU: FIGU takes no position.

ISSUE 15: Should an adjustment be made to working capital for Materials and Supplies to reflect the full impacts of the inventory reductions resulting from strategic alliances and actual reductions in 2002?

FIGU: FIGU takes no position.

ISSUE 16: Should conservation overrecoveries be included in the calculation of working capital?

STAFF PROPOSED

STIPULATION: Yes. Conservation overrecoveries should be included in working capital which results in a \$252,865 reduction in working capital.

FIGU: FIGU agrees.

ISSUE 17: Has Peoples removed the appropriate amount of Miscellaneous Current Liabilities from working capital?

FIGU: FIGU takes no position.

ISSUE 18: What is the appropriate projected test year Working Capital Allowance?

FIGU: FIGU takes no position.

ISSUE 19: What is the appropriate projected test year Rate Base?

FIGU: FIGU takes no position.

COST OF CAPITAL

ISSUE 20: What is the appropriate return on common equity for the projected test year?

FIGU: FIGU takes no position.

ISSUE 21: What is the appropriate equity ratio?

FIGU: FIGU takes no position.

ISSUE 22: What is the appropriate cost of long-term and short-term debt?

FIGU: FIGU takes no position.

ISSUE 23: What is the appropriate amount of accumulated deferred taxes to include in the capital structure?

FIGU: FIGU takes no position.

ISSUE 24: What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure?

FIGU: FIGU takes no position.

ISSUE 25: Has FAS 109 been appropriately reflected in the capital structure, such that it is revenue neutral?

FIGU: FIGU takes no position.

ISSUE 26: Have rate base and capital structure been reconciled appropriately?

FIGU: FIGU takes no position.

ISSUE 27: What is the appropriate weighted average cost of capital for the projected test year?

FIGU: FIGU takes no position.

REVENUES

ISSUE 28: Has Peoples properly removed PGA revenues, expenses, and taxes-other from the projected test year?

STAFF PROPOSED

STIPULATION: Yes. Peoples properly removed \$96,037,188 in PGA revenues, \$95,556,775 in gas costs and \$480,413 in revenue related taxes from the projected test year.

FIGU: FIGU agrees.

ISSUE 29: Has Peoples properly removed conservation revenues, expenses, and taxes-other from the projected test year?

STAFF PROPOSED

STIPULATION: Yes. Since Peoples did not include conservation revenues, expenses or taxes - other in the projected test period no adjustment is necessary.

FIGU: FIGU agrees.

ISSUE 30: Should an adjustment be made to revenues to recognize the new credit card usage charge?

FIGU: FIGU takes no position.

ISSUE 31: Should revenues be adjusted to correct for an understatement in projected test year revenues?

STAFF PROPOSED

STIPULATION: Yes. Revenues should be increased \$75,485 to correct for an understatement in projected test year 2003 revenues.

FIGU: FIGU agrees.

ISSUE 32: Should Off-System Sales be excluded from Jurisdictional Operating Revenues?

FIGU: FIGU takes no position.

ISSUE 33: What is the appropriate amount of projected test year total Operating Revenues?

FIGU: FIGU takes no position.

EXPENSES

ISSUE 34: Should an adjustment be made to recognize any gains on disposition of utility plant?

STAFF PROPOSED

STIPULATION: Yes. The \$346,466 gain on the sale of property located at 2951 SW 1st Terrace in Ft. Lauderdale should be amortized over 4 years beginning January 1, 2003 or a reduction in operating expenses of \$86,617. In addition working capital should be reduced \$303,157.

FIGU: FIGU agrees.

ISSUE 35: Are the trend rates used by Peoples to calculate projected O&M expenses appropriate?

STAFF PROPOSED

STIPULATION: The trend rates contained in MFR Schedule G-2, page 231 should be adjusted to reflect OPC's CPI Inflation trend factor of 2 percent for 2002 and 2003. Adoption of this change impacts the Inflation Only and the Customer Growth X Inflation trend factors. Note that this stipulation pertains only to the appropriateness of the trend factors themselves. The appropriateness of the application of these trend factors is addressed in Issue 36. This change results in the following trend factors:

<u>Trend Rates</u>	<u>2002</u>	<u>2003</u>
Payroll Only	3.00%	3.00%
Customer Growth X Pay Change	7.63%	8.09%
Customer Growth X Inflation	6.59%	7.04%
Inflation Only	2.00%	2.00%
Customer Growth	4.50%	4.94%

FIGU: FIGU accepts the stipulation.

ISSUE 36: Has Peoples used the appropriate trend basis for each O&M account?

FIGU: FIGU takes no position.

ISSUE 37: Should the projected test year O&M expense be adjusted for the effect of any changes to the trend factors?

FIGU: FIGU takes no position.

ISSUE 38: Should an adjustment be made to reduce expenses to reflect non-utility operations?

FIGU: Expenses for non-utility operations should be excluded from utility O & M.

ISSUE 39: Should an adjustment be made for lobbying expenses?

FIGU: Agree with Staff.

ISSUE 40: What is the appropriate amount of rate case expense and what is the appropriate amortization period for that expense?

FIGU: FIGU takes no position.

ISSUE 41: Should an adjustment be made to bad debt expense?

STAFF PROPOSED

STIPULATION: Yes. Bad Debt Expense, account 904, should be reduced \$633,606 to reflect a 4 year average of net write-off's as a percent of revenues, excluding off system sales.

FIGU: FIGU accepts the stipulation.

ISSUE 42: Should an adjustment be made for charitable contributions?

FIGU: FIGU takes no position.

ISSUE 43: Should an adjustment be made to remove image building or other inappropriate advertising expenses?

FIGU: FIGU takes no position.

ISSUE 44: Should an adjustment be made to remove expenses for company parties, picnics, or similar social company activities?

STAFF PROPOSED

STIPULATION: Yes. Account 921 should be reduced \$17,253 to remove employee dinners and account 926 should be reduced \$10,190 for tuition reimbursement for non Peoples employees for a total reduction of \$27,443 in 2001 expenses.

FIGU: FIGU accepts the stipulation.

ISSUE 45: Should an adjustment be made for Economic Development Activities?

FIGU: FIGU takes no position.

ISSUE 46: Is the Company's "Other Not Trended" adjustment for increased postage costs reasonable?

FIGU: FIGU takes no position.

ISSUE 47: Should payroll expense and related costs such as payroll taxes be reduced to reflect the decline in the number of employees?

FIGU: FIGU takes no position.

ISSUE 48: Should cost associated with incentive compensation be reduced?

FIGU: FIGU takes no position.

ISSUE 49: Is the Company's "Other Not Trended" adjustment for Outsourcing Cost in its sales and marketing function reasonable?

FIGU: FIGU takes no position.

ISSUE 50: Should the Commission order a further investigation into the relationship between Peoples and TECO Partners, an affiliated Company?

FIGU: FIGU takes no position.

ISSUE 51: Should an adjustment be made to rent expense?

STAFF PROPOSED

STIPULATION: Yes. Account 931 Rents for 2001 should be reduced \$22,636 to remove rent on facilities which have been replaced with Company owned facilities.

FIGU: FIGU accepts the stipulation.

ISSUE 52: Is the Company's "Other Not Trended" adjustment for the Customer Retention Program included in Miscellaneous Sales Expense appropriate?

FIGU: FIGU takes no position.

ISSUE 53: Should an adjustment be made to periodic meter and regulator change-out expense for cost savings related to the implementation of the meter sampling plan and meter sampling rule?

FIGU: FIGU takes no position

ISSUE 54: Is the Company's "Other Not Trended" adjustments to Account 921 - Office Supplies and Expenses reasonable?

FIGU: FIGU takes no position.

ISSUE 55: Is the Company's "Other Not Trended" allocation adjustments to Account 922 - A&G Transferred reasonable?

FIGU: FIGU takes no position.

ISSUE 56: Is the Company's "Other Not Trended" adjustment to Account 926 - Pensions and Benefits reasonable?

FIGU: FIGU takes no position.

ISSUE 57: Is the Company's "Other Not Trended" adjustment to Account 930 - Miscellaneous General Expenses for natural gas technical research appropriate?

FIGU: FIGU takes no position.

ISSUE 58: What is the appropriate accounting treatment and annual amortization to recover estimated clean-up costs of Peoples manufactured gas plant sites?

STAFF PROPOSED

STIPULATION: Peoples should continue to accrue \$640,000 annually and continue to use reserve accounting to recover the estimated clean-up costs as ordered by the Commission in Docket No. 980434-GU by Order No. PSC-98-0739-FOF-GU, issued May 28, 1998.

FIGU: FIGU accepts the stipulation.

ISSUE 59: What is the appropriate amount of projected test year O&M Expense?

FIGU: Agree with Staff.

ISSUE 60: What is the appropriate amount of projected test year Depreciation and Amortization Expense?

FIGU: FIGU takes no position.

ISSUE 61: What is the appropriate amount of Taxes Other Than Income Taxes?

FIGU: FIGU takes no position.

ISSUE 62: What is the appropriate Income Tax Expense, including current and deferred income taxes, ITC amortization, and interest synchronization?

FIGU: FIGU takes no position.

ISSUE 63: What is the appropriate level of Total Operating Expenses for the projected test year?

FIGU: FIGU takes no position.

ISSUE 64: What is the appropriate amount of projected test year Net Operating Income?

FIGU: FIGU takes no position.

ISSUE 65: What is the appropriate projected test year revenue expansion factor to be used in calculating the revenue deficiency?

STAFF PROPOSED

STIPULATION: The appropriate revenue expansion factor to be used in calculating the revenue deficiency is 1.6429 after reducing the Bad Debt component from .4429% to .4027%.

FIGU: FIGU accepts the stipulation.

ISSUE 66: What is the appropriate projected test year revenue deficiency?

FIGU: FIGU takes no position.

ISSUE 67: Should any portion of the \$1,461,000 interim increase granted by Order No. PSC-02-1227-FOF-GU, issued September 9, 2002, be refunded to customers?

FIGU: Yes, that portion collected from consumers from whom no rate increase is requested.

ISSUE 68: Should Peoples be required to submit, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its future annual reports, rate of return reports, published financial statements, and books and records that will be required as a result of the Commission's findings in this rate case?

STAFF PROPOSED

STIPULATION: Yes. Peoples should be required to submit, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its future annual reports, rate of return reports, published financial statements, and books and records that will be required as a result of the Commission's findings in this rate case.

FIGU: FIGU agrees with the stipulation.

RATE DESIGN AND COST OF SERVICE

ISSUE 69: Are Peoples' estimated revenues from sales of gas by rate class at present rates for the projected test year appropriate?

FIGU: Yes.

ISSUE 70: What is the appropriate cost of service methodology to be used in allocating costs to the rate classes?

FIGU: Peoples has used an appropriate methodology.

ISSUE 71: If the Commission grants a revenue increase to Peoples, how should the increase be allocated to the rate classes?

FIGU: FIGU accepts Peoples' allocation.

ISSUE 72: Is Peoples' proposal to apply uniform rates and service charges to all customers, including customers formerly served by West Florida Gas, appropriate?

FIGU: FIGU takes no position.

ISSUE 73: Should any increase in rates for the customers of the former West Florida Natural Gas Company be phased in over several years?

FIGU: Yes.

ISSUE 74: What are the appropriate Miscellaneous Service Charges?

FIGU: FIGU takes no position.

ISSUE 75: What are the appropriate Customer Charges?

FIGU: FIGU accepts Staff's proposal.

ISSUE 76: What are the appropriate per therm Distribution Charges?

FIGU: FIGU takes no position.

ISSUE 77: Are Peoples' proposed customer classes and riders and their associated therm requirements appropriate?

FIGU: FIGU agrees with Staff.

ISSUE 78: Is Peoples' proposed methodology for billing interruptible customers for

excess gas taken during a period of interruption appropriate?

FIGU: Yes.

ISSUE 79: Is Peoples' proposal to collect the monthly Interruptible Transportation service administration fee on a per-meter basis appropriate?

FIGU: No. There is no justification for multiple charges for a service delivered to one customer at one location.

ISSUE 80: Is Peoples' proposed new temporary turn-off charge appropriate?

FIGU: FIGU takes no position.

ISSUE 81: Is Peoples' proposed new credit card use charge appropriate?

FIGU: FIGU takes no position.

ISSUE 82: Is Peoples' proposed new failed trip charge appropriate?

FIGU: FIGU takes no position.

ISSUE 83: Is Peoples Gas System's proposed change to the definition of Maximum Allowable Construction Cost appropriate?

FIGU: FIGU takes no position.

ISSUE 84: What is the appropriate effective date for Peoples Gas Systems revised rates and charges?

FIGU: FIGU takes no position.

ISSUE 85: Is the proposed change to the definition of Weighted Average Cost of Capacity contained in Peoples' Individual Transportation Service Rider appropriate?

FIGU: FIGU takes no position.

ISSUE 86: Should this docket be closed?

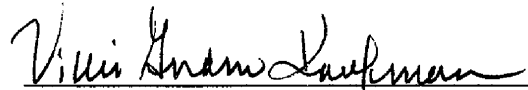
FIGU: FIGU agrees with Staff.

F. PENDING MOTIONS

FIGU has no pending motions.

G. COMPLIANCE WITH ORDER NO. PSC-02-1031-PCO-GU

FIGU has complied with all requirements of the Order Establishing Procedure entered in this docket.



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CERTIFICATE OF SERVICE

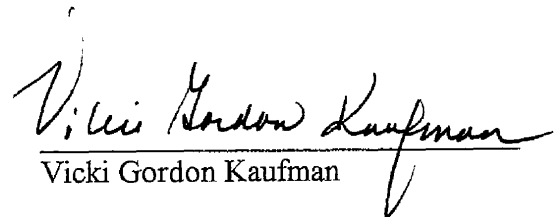
I **HEREBY CERTIFY** that a true and correct copy of the foregoing Florida Industrial Gas Users' Prehearing Statement was served by (*) hand delivery or U.S. Mail to the following parties of record this 14th day of November, 2002:

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