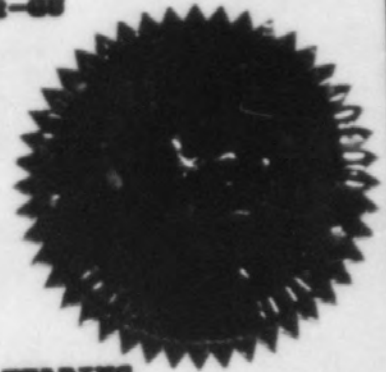


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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In the Matter of :
Application for :
Rate Increase by City :
Gas Company of Florida :

DOCKET NO. 960503-GU



PROCEEDINGS: PORT ST. LUCIE SERVICE HEARING

BEFORE: COMMISSIONER J. TERRY DEASON
COMMISSIONER JOE GARCIA

DATE: Wednesday, September 4, 1996

TIME: Commenced at 6:35 p.m.
Concluded at 7:10 p.m.

PLACE: City Council Chambers
121 S. W. Port St. Lucie Boulevard
Port St. Lucie, Florida 34984

REPORTED BY: H. RUTHE POTAMI, CSR, RPR
Official Commission Reporter

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1 **APPEARANCES:**

2 **JOSEPH A. McGLOTELIN, McWhirter, Davidson,**
3 **Rief and Bakas, 117 South Gadsden Street, Tallahassee,**
4 **Florida 32301, Telephone No. (904) 222-2525,**
5 **appearing on behalf of City Gas Company of Florida.**

6 **VICKI JOHNSON, Florida Public Service**
7 **Commission, Division of Legal Services, 2540 Shumard**
8 **Oak Boulevard, Tallahassee, Florida 32399-0850,**
9 **appearing on behalf of the Commission Staff.**

10 **H. F. MANN, Associate Public Counsel, Office**
11 **of Public Counsel, 111 West Madison Street, Room 812,**
12 **Tallahassee, Florida 32399-1400, Telephone No. (904)**
13 **488-9330, appearing on behalf of the Citizens of the**
14 **State of Florida.**

15

16 **ALSO PRESENT:**

17 **LYLE MOTLEY, President of NUI Corporation,**
18 **Southern Division.**

19 **CHERYL BULECZA-BANKS, FPSC, Division of**
20 **Electric and Gas.**

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I N D E X

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P R O C E E D I N G S

(Hearing convened at 6:35 p.m.)

COMMISSIONER DEASON: Call the hearing to order. We will begin by having the notice read.

MS. JOHNSON: By notice issued August 9th 1996, a service hearing was set in Docket 960502-GU, application for rate increase by City Gas Company of Florida. The purpose of the service hearing is set out in the notice.

COMMISSIONER DEASON: Thank you. Take appearances.

MR. MCGLOTHLIN: My name is Joseph A. McGlothlin. I'm with the law firm of McWhirter, Reeves, McGlothlin, Davidson, Rief and Bakas, 117 South Gadsden Street, Tallahassee. I represent City Gas Company of Florida.

MR. MANN: Rick Mann with the Office of Public Counsel representing the Citizens of the State of Florida.

MS. JOHNSON: Vicki Johnson representing the Commission Staff.

COMMISSIONER DEASON: Thank you. First of all, let me welcome everyone to the hearing this evening. This is a hearing of the Public Service Commission, and it is for the purposes of getting

1 customer input on the request of City Gas Company of
2 Florida for a rate increase, which is currently
3 pending before the Commission.

4 Let me introduce myself. My name is Terry
5 Deason I'm a member of the Florida Public Service
6 Commission. With me this evening is Commissioner Joe
7 Garcia. We will constitute the panel of Commissioners
8 which will be conducting this hearing this evening.

9 As I indicated, the purpose of this hearing
10 is to get customer input concerning the pending
11 request for a rate increase. We're interested in what
12 customers have concerning that request, as well as the
13 quality of service which customers are provided by
14 this utility company.

15 This is an official hearing of the Public
16 Service Commission. It is being recorded by a court
17 reporter. The comments which are given by customers
18 will become part of the official record in this case,
19 and will be evidence upon which the Commission can and
20 will rely in making its final decision in this case.

21 Let me ask at this point, are there any
22 customers who have entered the room who wish to
23 testify this evening? If I could just have a show of
24 hands, please.

25 (One hand raised.)

1 **COMMISSIONER DEASON:** Have you been provided
2 the yellow information sheet?

3 **UNIDENTIFIED SPEAKER:** No, I haven't.

4 **COMMISSIONER DEASON:** Could we please
5 provide him with that? We appreciate you being with
6 us here this evening.

7 Let me just outline the procedure that we're
8 going to follow this evening. In a moment I'm going
9 to ask all members of the public who wish to testify
10 to stand and to raise their right hand and to be sworn
11 in. This is necessary so that your testimony will
12 become part of the official record, as I indicated
13 just a moment ago.

14 Your name will be called. When your name is
15 called, we ask that you come forward to the podium at
16 the front and to begin by giving us your name and your
17 address, and then to proceed with your statement; and
18 we ask that you wait for just a moment at the
19 conclusion of your statement because there may be some
20 clarifying questions.

21 Let me ask Ms. Johnson, were opening
22 statements contemplated for this evening's hearing?

23 **MS. JOHNSON:** It's my understanding, yes,
24 that the Company intends to make a brief presentation.

25 **COMMISSIONER DEASON:** Very well.

1 MR. McGLOTHLIN: We're prepared to do so,
2 Mr. Chairman, but at your pleasure, if you think that
3 would be helpful.

4 COMMISSIONER DEASON: It may be helpful, but
5 I ask you that you be brief with that. That will be,
6 then, the first order of business. We'll give you the
7 opportunity to make a brief opening statement, and
8 then I will swear in witnesses and we will then
9 proceed through the names that we have and have any
10 clarifying questions at that point. So with that, are
11 there any other preliminary matters?

12 MR. McGLOTHLIN: I would like to offer as
13 exhibits the proof of publication of the notice of
14 hearing that appeared in the Tribune as Exhibit 1, and
15 the bill stuffer that was provided to customers
16 concerning this service hearing as Exhibit 2.

17 COMMISSIONER DEASON: Very well. Those will
18 be identified and will be entered into the record
19 without objection, if there is no objection. Staff,
20 do you need to review that?

21 MS. JOHNSON: Staff has already reviewed
22 that.

23 COMMISSIONER DEASON: Without objection,
24 those exhibits, Exhibits 1 and 2 will be identified
25 and admitted, and a copy has been provided to the

1 court reporter; is that correct?

2 MR. MCGLOTHLIN: Yes.

3 COMMISSIONER DEASON: And, Mr. McGlothlin,
4 the first exhibit was the proof of publication?

5 MR. MCGLOTHLIN: That's correct.

6 COMMISSIONER DEASON: And the second exhibit
7 was the notice itself?

8 MR. MCGLOTHLIN: Was the bill stuffer.

9 COMMISSIONER DEASON: Thank you.

10 Mr. McGlothlin, you may now proceed with your opening
11 statement.

12 (Exhibits 1 and 2 marked for
13 identification.)

14 MR. MCGLOTHLIN: Mr. Chairman, we had
15 contemplated that Mr. Lyle Motley, who is president of
16 the NUI Corporation's Southern Division, which
17 includes City Gas, would give a very brief overview of
18 the case.

19 COMMISSIONER DEASON: Very well. Please
20 proceed.

21 MR. MOTLEY: Gentlemen, my name is Lyle
22 Motley. I am the president of the Southern Division
23 of NUI Corporation, which includes the operations of
24 City Gas Company of Florida.

25 Others here this evening from City Gas are

1 Mike Palecki, he's a VP of regulatory affairs; Dave
2 Bachelor, he's manager of the Port St. Lucie
3 operation; and Rand Smith, who is the VP of finance.

4 On June the 18th, 1996, City Gas applied to
5 the Florida Public Service Commission for authority to
6 increase the rates it charges its customers for
7 natural gas service. This step was necessary despite
8 stringent efforts by the Company to control its cost
9 of doing business.

10 These efforts include carefully managing the
11 overall number of people employed by the Company. It
12 includes continuing the Company's conservative wage
13 and salary policy. It includes formalizing processes
14 designed to procure low cost services through
15 competitive bidding, and it includes analyzing each
16 proposed capital expenditure before it is made to
17 ensure it is economic and cost effective.

18 Despite these efforts to control costs, an
19 increase is needed at this time. Now, in our last
20 rate case the Commission determined that City Gas
21 should be authorized to earn a fair return on its
22 investment of 7.26%. For the calendar year 1995 our
23 actual return was only 5.49%. Absent rate relief, our
24 earned return will continue to deteriorate.

25 The Company must have a realistic

1 opportunity to earn a fair rate of return as it
2 improves and extends the services it provides to its
3 Florida customers and as it prepares for the
4 competitive energy market being created by federal
5 initiatives.

6 If the Commission were to grant 100% of our
7 proposal, a typical residential bill of 20 therms
8 would increase from \$23.01 to \$26.12, or an increase
9 of \$3.11. Compared to the cost of other sources of
10 energy, natural gas service from City Gas will remain
11 a good value even with the increase.

12 Thank you.

13 COMMISSIONER DEASON: Thank you, sir.
14 Mr. Mann, do you intend to make an opening statement?

15 MR. MANN: No, sir, I don't.

16 COMMISSIONER DEASON: Okay. Staff,
17 likewise, has no opening statement; is that correct?

18 MS. JOHNSON: Is that correct?

19 COMMISSIONER DEASON: We may now proceed,
20 then, into the customer phase of the hearing. I'm
21 going to ask all members of the public who wish to
22 testify to please stand and raise your right hand.

23 (Witness sworn.)

24 COMMISSIONER DEASON: You may come forward
25 to the podium at the front and please start by giving

1 your name and your address, and if you think it would
2 be helpful, you may wish to spell your name, and then
3 you may proceed with your statement.

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5 **FRANK J. VARELLA**

6 appeared as a witness and, having been duly sworn,
7 testified as follows:

8 **DIRECT STATEMENT**

9 **WITNESS VARELLA:** My name is Frank
10 J. Varella, V-A-R-E-L-L-A. I live at 425 Southwest
11 Hibiscus Street in Port St. Lucie, and my purpose of
12 coming here -- and I thank you very much for the
13 opportunity to address you -- my purpose in coming
14 here today is not to object to their rate increase,
15 because in today's changing times, I'm sure some of it
16 is justified, and I'm sure you'll cut through all the
17 hay and get to the real wood and the meat of the
18 issue.

19 I wanted to express myself and let you know
20 that as a taxpayer in Port St. Lucie and a person who
21 is trying to become a customer -- because I'm not
22 really a customer yet -- I feel like I'm -- I feel
23 like I'm being shortchanged. City Gas basically
24 tried -- City Gas basically came into the area three
25 or four years ago, and their proposal was to serve

1 residential and general service to customers.

2 Their purpose was to -- they stated that
3 they were not here to skim the cream off the crop and
4 just go after commercial. They said they wanted to
5 serve the residences of the City of Port St. Lucie.

6 Back in December of 1993, as I recall, I
7 filled out a service application and attempted to
8 become a customer of City Gas, seeing the potential
9 savings that I could achieve in my total energy bill.
10 That was in December of 1993. It's now September of
11 '96 and I'm still not served by City Gas.

12 Approximately at that same time in December
13 of '93, City Gas was extending their distribution
14 lines down Leciro, or Violet -- it's Violet,
15 actually -- Street which is basically two blocks away
16 from me, and I think it's a little -- it's taken quite
17 a long time for City Gas to come serve me.

18 I know my next-door neighbor has filled out
19 a service agreement also, to serve them. I know of
20 another potential customer across the street that I've
21 told them about, and yet still, I'm still waiting to
22 be served. And I just wanted to express my
23 frustration to you.

24 You know, return on investment can only be
25 earned if you're selling gas, you know. You can put

1 all kinds of pipes in the ground, basically sell no
2 gas, and have no return on investment. And basically
3 the only way they're going to achieve their return on
4 investment is if they sell to the people who they
5 promised that they would sell to.

6 And I thank you for this opportunity.

7 COMMISSIONER DEASON: Thank you. Are there
8 any questions?

9 MR. MCGLOTHLIN: We have no questions.

10 COMMISSIONER DEASON: Thank you, sir. What
11 I'm going to do is, Staff, if you could get with this
12 customer -- I know we have his address as part of the
13 record -- if we could find out some more of the
14 specifics. And, Mr. McGlothlin, I'm going to ask the
15 Company to file a report concerning the expansion of
16 facilities in this area and what the plans are for
17 serving this particular area, and what the economics
18 are and what those plans are based upon.

19 MR. MCGLOTHLIN: Very well.

20 COMMISSIONER DEASON: And when that is
21 prepared, we'll identify that as an exhibit as well,
22 and when that is filed I'll ask Staff to share that
23 with the customer, or the potential customer in this
24 case. And obviously if you wish to communicate
25 directly with the gentleman, obviously you can do that

1 as well.

2 COMMISSIONER GARCIA: Your area manager is
3 here; right?

4 MR. MOTLEY: Yes.

5 COMMISSIONER GARCIA: So maybe we can speak
6 to him directly. It will be a nice start.

7 COMMISSIONER DEASON: Has anyone else
8 entered the hearing room who wishes to testify? (No
9 response.)

10 What we're going to do at this point, the
11 notice, I believe, indicates that we will conduct a
12 hearing until all customers have been heard. However,
13 given that the hour is still early and that there may
14 be someone en route at this time, we're not going to
15 adjourn the hearing at this time, but we are going to
16 take a recess. We will reconvene at 7:00, and at that
17 time we will determine if any other customers have
18 entered the auditorium and wish to testify. Ten
19 minutes recess until 7:00 p.m.

20 (Recess; 6:50 p.m.)

21 COMMISSIONER DEASON: Call the hearing back
22 to order. Let me ask, has anyone entered the
23 auditorium who wishes to testify in the pending matter
24 of City Gas petition with the Public Service
25 Commission? (No response.)

1 Let the record reflect that no one else has
2 entered the auditorium, and it is now some six or
3 seven minutes after 7:00 p.m. Given that no one else
4 has entered the auditorium, there's nothing else to
5 come before the Commission at this time.

6 Mr. McGlothlin?

7 MR. MCGLOTHELIN: Nothing from us.

8 COMMISSIONER DEASON: Staff?

9 MS. JOHNSON: No.

10 COMMISSIONER DEASON: Mr. Mann?

11 MR. MANN: No, sir.

12 COMMISSIONER DEASON: We'll go ahead and
13 adjourn the hearing at this time. Thank you all for
14 coming. This hearing is adjourned.

15 (Thereupon, the hearing concluded at 7:10
16 p.m.)

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1 STATE OF FLORIDA)
2 COUNTY OF LEON)

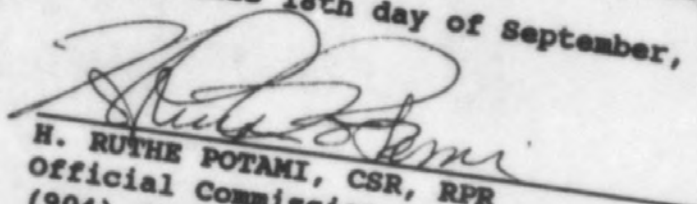
CERTIFICATE OF REPORTER

3 I, RUTHE POTAMI, CSR, RPR, Official
4 Commission Reporter,

5 DO HEREBY CERTIFY that the City of Port St.
6 Lucie Service Hearing in Docket No. 960502-GU was
7 heard by the Florida Public Service Commission at the
8 time and place herein stated; it is further

9 CERTIFIED that I stenographically reported
10 the said proceedings; that the same has been
11 transcribed under my direct supervision; and that this
12 transcript, consisting of 17 pages, constitutes a true
13 transcription of my notes of said proceedings.

14 DATED this 18th day of September, 1996.

15 
16 H. RUTHE POTAMI, CSR, RPR
17 Official Commission Reporter
18 (904) 413-6734

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