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## P R O C E E D I N G S

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CHAIRMAN JOHNSON: Item 6.

COMMISSIONER CLARK: Move Staff.

COMMISSIONER JACOBS: Second.

COMMISSIONER DEASON: I'm sorry, I have a question on Item 6. First of all, does the Company want to make a statement before we get into questions or are you here just to answer questions?

MR. WATSON: Yes.

COMMISSIONER DEASON: I'll defer and let them make their presentation.

CHAIRMAN JOHNSON: Okay.

MR. WATSON: Again, I'm Ansley Watson of the firm of Ferguson, McMullen --

CHAIRMAN JOHNSON: Is your microphone on?

MR. WATSON: I believe -- yes.

CHAIRMAN JOHNSON: Okay.

MR. WATSON: Appearing for Peoples Gas System.

Commissioners, Peoples' weather normalization rider is a mechanism designed to adjust base rate revenues in residential and small commercial customers in Peoples' West Florida region based on variances in gas consumption costs by fluctuations in temperatures.

1 Peoples basically inherited this tariff  
2 rider from West Florida Natural Gas through West  
3 Florida's June 30, 1997, merger into Peoples Gas. The  
4 rider was approved by the Commission in September of  
5 1996 for a three-year period on an experimental basis  
6 for application to residential and commercial  
7 customers' bills during the months of November through  
8 April.

9 And the '96-97 winter season was the first  
10 period during which the rider was in effect.

11 Peoples was aware at the time it acquired  
12 West Florida that certain customers, really only a  
13 handful, about ten out of nearly 180,000 bills during  
14 that first season had complained to the Commission and  
15 the Company that the adjustments during that period  
16 were excessive. A typical or average adjustment to a  
17 customer's monthly bill was initially projected by  
18 West Florida to be less than \$2. The average  
19 adjustment during the first season was \$1.84.  
20 However, adjustments on the bills of the customers who  
21 made written complaints to the Commission ranged from  
22 \$10.83 to \$17.89.

23 As indicated by the recommendation before  
24 you, Staff had contacted West Florida and suggested  
25 that a dollar cap be placed on charges and credits

1 under the rider.

2 Peoples' tariff filing that is before you  
3 today would modify the currently effective rider in  
4 two ways, both of which we feel would add protection  
5 to customers by limiting swings in the upward  
6 adjustments for these few customers who had rather  
7 large adjustments made to their bills, and both of  
8 which addressed the cap which Staff had suggested to  
9 West Florida.

10 First, during the 1997-1998 season, Peoples'  
11 proposal would place a cap of \$10 on any upward  
12 adjustment, but there would be no floor for any  
13 downward adjustment.

14 During the 1998-1999 season, the final  
15 season for which the rider is currently approved, the  
16 proposal would cap any upward adjustment of \$10 and  
17 similarly place a floor of \$10 on any downward  
18 adjustment.

19 In making this filing, Peoples decided to  
20 take the risk that downward adjustments would exceed  
21 upward adjustments as limited by the cap during the  
22 '97-98 season, and then, again, adjustments in both  
23 directions would be capped in the third and final year  
24 of the experiment.

25 While Peoples believed that its proposal

1 provides some benefits to the affected ratepayers,  
2 frankly, it can also live with the program as it is  
3 currently in place, which is what will happen if you  
4 approve the Staff recommendation to deny the tariff  
5 filing that Peoples has made.

6 To provide those benefits which were  
7 originally suggested by the Staff, we would ask that  
8 you approve the tariff filing that is before you  
9 today.

10 COMMISSIONER DEASON: The question I have is  
11 in reading Staff's recommendation I take it that Staff  
12 is concerned that there is a void out there as to the  
13 question of what's going to happen when this  
14 experiment concludes and there's a net balance -- and  
15 right now it looks like currently there's been an  
16 overrecovery by the company -- what happens if there's  
17 a net overrecovery, are the customers made whole?  
18 Apparently the plan is silent on that point. And  
19 reading Staff's recommendation it appears that one of  
20 the reasons Staff is against -- or recommending  
21 against this tariff modification is that the tariff  
22 modification does not address that problem. But the  
23 original tariff didn't address that problem either.  
24 And so I guess my question is how does approving this  
25 modification exacerbate that problem?

1 MS. BULBCEA-BANKS: It doesn't. What our  
2 concern was when West Florida originally brought this  
3 petition they wanted to file it as a full program.  
4 And they planned on running this program indefinitely,  
5 unless there was some strange anomaly that occurred  
6 during the pilot program. The idea and the only way  
7 weather normalization clauses work is if they are in  
8 place for numerous years, so that you can have the  
9 swings of abnormally cold and abnormally warm winter.  
10 Since Peoples has indicated to us they want to end the  
11 program at the end of the third year, there's no way  
12 for the fluctuations to even out, so we said that we  
13 want some kind of mechanism to make it revenue neutral  
14 for the period it was in place. And they weren't  
15 exactly amenable to that, and that's where our  
16 concerns lie, that we would have this large amount of  
17 money out there that never was even backed out. And  
18 that is the only concern.

19 COMMISSIONER DEASON: And I understand that  
20 is a problem, and that's going to have to be addressed  
21 at some point. I guess we're not really here to  
22 address that today, even though it is a concern, I  
23 think a valid concern that we need to be aware of.  
24 We're not going to resolve that today, how we're going  
25 to treat that. Are we? Or is that part of Staff's

1 recommendation?

2           **MS. BULECEA-BANKS:** I would like to -- my  
3 concern was that with the indication the way to me the  
4 tariff was, is that since we went ahead and offered  
5 you this, it to me implies that that was the end of  
6 the program no matter what the balance was at the end  
7 of the third year, because we're not going to give you  
8 anything more in that third year than the \$10 cap.

9           **COMMISSIONER DEASON:** Mr. Watson, is that  
10 the Company's position?

11           **MR. WATSON:** Well, let me address this  
12 true-up issue, and I'm glad you recognize that that's  
13 not something that's before you today.

14           Peoples doesn't believe that a true-up of  
15 revenues attributable to application of the rider is  
16 appropriate. Just to go back over a little bit of  
17 what you may have already mentioned, weather being  
18 what it is, West Florida and the Commission, I think,  
19 went into this experiment in '96 without addressing  
20 what might happen at the end of the three-year  
21 experimental period at all. You know, weather can go  
22 one way or the other, colder or warmer than projected.  
23 The simple fact is that nobody really knows and no  
24 true-up was contemplated by the Commission's order  
25 that approved this tariff rider.



1           What I'd like to point out, though, is that  
2 the application of a true-up here would have an effect  
3 which is exactly the reverse of the true-up's effect  
4 in PGA or conservation or fuel adjustment dockets. In  
5 those latter dockets, the Company's expenditures for  
6 fuel where the true-up ensures that a company's  
7 expenditure for fuel or conservation cost, et cetera,  
8 are recovered on a dollar-for-dollar basis; no more,  
9 no less. There's interest provided on any over and  
10 underrecoveries.

11           Here the purpose of the weather  
12 normalization adjustment from the outset, that  
13 adjustment is intended to protect the utility from  
14 revenue and earnings instability resulting from  
15 weather fluctuation. Likewise, the customers receive  
16 a benefit when the weather is colder than normal.  
17 When it is colder than normal, because of increased  
18 usage, their bills would generally be higher. But the  
19 weather normalization dampens that effect. But the  
20 truing up of the revenues derived from the application  
21 to this rider to zero would, in essence, defeat the  
22 purpose of the adjustment from the outset. And,  
23 therefore, we don't believe it would be appropriate.

24           Now, if the Commission wanted the Company to  
25 true-up its earnings to be within the top of the

1 allowed range on its rate of return, that's another  
2 situation entirely. But, again, there's no  
3 suggestion, to my knowledge, that there's any true  
4 overearnings by the Company.

5           **COMMISSIONER DEASON:** Was it the intent of  
6 the Company to file this tariff modification with  
7 having -- with the intent that that would be the  
8 result, that if there were a net overaccrual that that  
9 would inure to the benefit of the Company? Apparently  
10 the program, the experimental tariff was silent on  
11 that issue. Are you trying to add that in now at this  
12 point?

13           **MR. WATSON:** We're not adding a true-up by  
14 this filing.

15           **COMMISSIONER DEASON:** I know that. Are you  
16 taking the opposite -- Staff thinks it's an open  
17 issue. Are you taking or is it your position that if  
18 we approve this tariff filing that it's no longer an  
19 open issue, that it means that the Company stands to  
20 benefit from a overaccrual, or are they --  
21 overrecovery, rather, and they stand to lose if  
22 there's an underrecovery?

23           **MR. WATSON:** Yes. But I don't agree with  
24 your characterizing -- or with the characterizing  
25 terms overrecovery and underrecovery because the

1 Company would have recovered exactly what it wants to  
2 recover through the application of this rider. I  
3 don't believe your vote today to approve the Company's  
4 filing here forecloses you looking at what happens at  
5 the end of three years, if you deem that appropriate.  
6 But I don't think you can go back and let's say that  
7 the company was overrecovered -- excuse me, I'm using  
8 the term I don't like myself -- let's say that the  
9 Company was in a positive position or had received  
10 revenues in addition to those that it would have  
11 received had it not had the adjustment in place.

12           If you want to fix this thing -- and I don't  
13 believe it requires fixing, but if you want to fix it,  
14 by making everything zero at the end of the three  
15 years or at the end of 20 years, whenever it stops  
16 being applied, I think you can do that on a  
17 prospective basis. I don't really think you can go  
18 back and do anything about what's happened in the  
19 past.

20           **COMMISSIONER DEASON:** When you say  
21 "prospective," you mean if there's another weather  
22 normalization mechanism that we approve on a  
23 going-forward basis then we could put that as an item  
24 within it. But right now, the tariff we have is the  
25 tariff we have, and we can't make changes to it.

1           **MR. WATSON:** No. I think you can change the  
2 tariff that's in place right now, but I think you can  
3 do so only prospectively.

4           **COMMISSIONER DEASON:** So in other words, the  
5 positive position that the Company is in as of right  
6 now, that's lost. That's yours. And we could go  
7 forward from this point forward.

8           **MR. WATSON:** I think that's right. But I  
9 think that to the extent the Company experienced  
10 situations where it gave credits to customers because  
11 of colder than normal temperatures going forward, that  
12 would obviously reduce whatever positive position the  
13 Company is perceived as having at the present time.

14           **COMMISSIONER JACOBS:** How would you get to  
15 that point? How would you get to a point of providing  
16 future benefits to customers as a result of this  
17 normalization program if it's not continued  
18 particularly?

19           **MR. WATSON:** I'm not sure, Commissioner. I  
20 guess the Commission could order the Company to modify  
21 its tariff. But I think you all know in setting  
22 rates, I mean, you can do so only prospectively.

23           The Company perceived a benefit in lessening  
24 the impact of these adjustments, these upward  
25 adjustments on a handful of customers, and that's

1 really the only reason for the modification of the  
2 program that we came to the Commission with.

3           If the Commission and the Staff don't  
4 perceive those same benefits, the Company is perfectly  
5 willing to live with the tariff as it is in effect  
6 right now.

7           **COMMISSIONER DEASON:** Well, I think the  
8 tariff -- the modified tariff or the proposed modified  
9 tariff is better than the existing because at least  
10 there's a limitation on the upward side during the  
11 second year of the experiment. There's no limitation  
12 on the downward side. So I think that's a positive  
13 thing. And perhaps that would have the effect -- I  
14 don't know what the weather is going to be -- perhaps  
15 that would tend to have the effect to reduce the  
16 positive position or that the possibility exists to  
17 reduce that positive position the Company is currently  
18 in. Because there's no limit on the credit side.  
19 There is a limit on the upward side.

20           So I think that's a positive thing. But at  
21 the same time I don't want to be doing anything by  
22 this -- by approving this tariff that would give any  
23 approval tacit, or otherwise, that what the Company  
24 says is going to be the bottom line result. That if  
25 this experiment terminates, that whatever position

1 they are in at that time -- and if it happens to be  
2 positive, that's just their good fortune and the bad  
3 fortune of the customer.

4 I don't want to resolve that issue today by  
5 any tariff approval that we do here because I don't  
6 think it's really the issue in front of us.

7 MS. BULECIA-BANKS: Absolutely. And that  
8 was exactly our concerns. Why we did not want to  
9 approve this, recommend approval. Because to us the  
10 way it was worded insinuated that if we did this,  
11 because we're putting in caps, that at the end of the  
12 period whatever it is, is whatever it is, be it  
13 positive or negative, whatever. And we weren't  
14 comfortable with that, by ending the program at the  
15 end of the third year and the customers never got the  
16 benefit of that cold weather that could be next year.  
17 That's our concern.

18 And I understand the quandary because we  
19 were in the same position. Do we approve this for the  
20 benefit of what we get for the remaining months of the  
21 program and perhaps sacrifice that? And I think  
22 that's why when you ask Mr. Watson does he interpret  
23 this is that if we approved that that's it; he gets  
24 whatever it is when the program ends. And I think  
25 that's the main thrust. Does he believe that? Is

1 that what we're saying here by approving the petition.

2           **MR. WATSON:** That's not what you're saying  
3 here, because our getting whatever positive benefit  
4 there was as a result of a warmer-than-normal winter,  
5 and I don't think there's any benefit at all. It  
6 simply made you whole based on the last -- the rates  
7 that were approved in the last rate case. So I don't  
8 agree with the characterizations, but I don't think  
9 your approval of what's before you today, Peoples'  
10 proposal, would change our opinion that we either gain  
11 or lose, because that opinion would be the same even  
12 if you deny what is before you today. And as far as  
13 prejudging or making any decision on what ought to  
14 happen at the end, or what ought to happen at some  
15 other point in time, that issue is simply not before  
16 you, and I don't believe that taking action on the  
17 Company's petition will have any effect on that at  
18 all.

19           **COMMISSIONER DEASON:** With that  
20 understanding, would Staff then wish to modify their  
21 recommendation or how do you stand on that?

22           **MS. BULECEA-BANKS:** I would like to ask a  
23 question. If the end of that period comes, whatever  
24 that period would be, whether it would be the end of  
25 the third year or they say continue, but assume, for

1 instance, it would be at the end of the third year,  
2 the program would end. I need some resolution there.  
3 Would that be something that you think Staff should  
4 initiate or should we have it in this recommendation  
5 that after the end of the period, the third year of  
6 the pilot program, that the Company must file a  
7 petition that indicates what the ending balance is,  
8 and their petition, a way to address that? Otherwise,  
9 I would think the program would end. They'd have the  
10 money if there was a positive imbalance there, and  
11 unless Staff initiated it on its own to bring that in,  
12 I'm just wondering if perhaps it's easier to have it  
13 in the order that says at the end of the time.

14 **COMMISSIONER DEASON:** Mr. Watson.

15 **MR. WATSON:** Again, I don't think that issue  
16 is before the Commission today. I think if the  
17 Commission wants to do that, that it can determine  
18 what's going to happen after it votes to do whatever  
19 it's going to do. But I don't think it can affect  
20 what's gone on in the past. This is a rate mechanism.  
21 I don't believe you can impact it or the revenues  
22 derived from it on a retroactive basis.

23 **MS. BULECSA-BANKS:** But we still have this  
24 Issue 2, which says, "No, the docket should remain  
25 open, and they should be required to file a petition



1 to either, end, extend or convert."

2           **COMMISSIONER DEASON:** What's the reporting  
3 requirements under the tariff as it was approved? Is  
4 the company under an obligation to have some type of a  
5 continuing reporting?

6           **MR. MAKIN:** Currently as the original order  
7 was written, the original order was silent on that.

8           **COMMISSIONER DEASON:** Well, Commissioners, I  
9 think at some point this is an issue that's going to  
10 have to be addressed by the Commission, but I agree,  
11 it's not in front of us today to resolve.

12           **COMMISSIONER CLARK:** I agree with you.

13           **COMMISSIONER DEASON:** I hear the Company  
14 saying that they are not too willing to file anything.  
15 And I hear there's no reporting requirements. I think  
16 the burden is going to be on our Staff to get the  
17 necessary -- if the project terminates, the Company's  
18 decision -- let me ask you this: Is there anything in  
19 the tariff that says what the procedure is to  
20 terminate the tariff or is it assumed it automatically  
21 disappears after three years unless there's a renewal?

22           **MR. WATSON:** Commissioner, Peoples really  
23 has no objection to the Staff's recommendation on  
24 Issue 2, that we'd be required to file a petition to  
25 either end, extend or convert the experimental program

1 to a full one no later than December 1, '98.

2           **COMMISSIONER DEASON:** And with that you  
3 would be filing financial data as far as calculating  
4 the effect, as far as whether it's a positive position  
5 or a negative position?

6           **MR. WATSON:** I don't know whether we would  
7 consider it appropriate to file it at that point in  
8 time, but my experience suggests that the Staff is  
9 going to get us to file whatever it is they want.

10           **COMMISSIONER CLARK:** Yeah. It seems like  
11 you're going to have to know that kind of outcome  
12 before you decide to end it, extend it or whatever.

13           **COMMISSIONER DEASON:** All right. Well, with  
14 that understanding on Issue 2, I -- is there a motion  
15 pending by the way? If there is -- I would move that  
16 we deny Staff on Issue 1, and we go ahead and approve  
17 it because I think that it's a step in the right  
18 direction. We're putting a limitation only on the  
19 upward side and giving the balance as it now exists  
20 that could have a tendency of reducing the positive  
21 position at the end of three years. So I don't have a  
22 problem with that. And there's no implied approval  
23 that at the end of three years whatever the position  
24 the Company is in, that that is to their benefit or  
25 their detriment and that's a matter to be resolved at

1 the time a petition is filed to -- if a petition is  
2 filed to terminate. I guess if the petition is riled  
3 to continue it, then that's really not an issue at  
4 that time, unless the Commission decides to terminate  
5 it, we'll need to know that. Is Staff comfortable  
6 with taking that action? That's the motion.

7 **COMMISSIONER JACOBS:** Is Staff comfortable  
8 that whatever information you need at that time you  
9 will have access to? Do we need language here to  
10 indicate that?

11 **MS. BULECIA-BANKS:** Yes, sir. With this  
12 docket remaining open, I'm sure we could issue some  
13 interrogatories to get that information.

14 **COMMISSIONER CLARK:** Second the motion.

15 **COMMISSIONER DEASON:** Bob, is there a  
16 problem with that?

17 **MR. ELIAS:** The recommendation is to close  
18 the docket, but require them to file a petition no  
19 later than 12-1-98 and convert or continue the  
20 experimental program.

21 **COMMISSIONER DEASON:** Well, should we close  
22 it or should we leave it open?

23 **MR. ELIAS:** I think it's just a question of  
24 administrative convenience. If we want to leave it  
25 open, it might make it easier to propound

1 interrogatories.

2           **COMMISSIONER DEASON:** Does Staff have a  
3 preference?

4           **MS. BULECIA-BANKS:** No preference.

5           **COMMISSIONER GARCIA:** Commissioner, I'd  
6 rather we left it open.

7           **COMMISSIONER JACOBS:** I second.

8           **COMMISSIONER DEASON:** I take that as a  
9 friendly amendment, then, to my motion and that we  
10 would also leave the docket open.

11           **CHAIRMAN JOHNSON:** There's a motion and a  
12 second. Any further discussion? All those in favor  
13 signify by saying aye.

14           **COMMISSIONER CLARK:** Aye.

15           **COMMISSIONER GARCIA:** Aye.

16           **COMMISSIONER DEASON:** Aye.

17           **CHAIRMAN JOHNSON:** Aye.

18           **COMMISSIONER JACOBS:** Aye.

19           **CHAIRMAN JOHNSON:** Show it approved  
20 unanimously.

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1 STATE OF FLORIDA)  
2 COUNTY OF LEON )


CERTIFICATE OF REPORTER

3 I, JOY KELLY, CSR, RPR, Chief, Bureau of  
4 Reporting, Official Commission Reporter,

5 DO HEREBY CERTIFY that Item No. 6, Docket  
6 No. 971610-GU, of the 2-3-98 Agenda Conference 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 20 pages, constitutes a true  
13 transcription of my notes of said proceedings.

14 DATED this 10th day of February, 1998.

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