BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of **Proposed Rule 25-7.0355, F.A.C., Transportation Service**	:	**DOCKET NO. 960725-GU**

PROCEEDINGS: **WORKSHOP**

CONDUCTED BY: WAYNE MAKIN
Division of Electric and Gas

DATE: **March 24, 1999**

TIME: Commenced at 9:40 a.m.
Concluded at 12:25 p.m.

PLACE: Betty Easley Conference Center
Room 152
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: KIMBERLY K. BERENS, CSR, RPR
FPSC Commission Reporter
(850) 413-6736

IN ATTENDANCE:

WAYNE MAKIN and CHERYL BULECZA-BANKS, FPSC Division of Electric & Gas.

MARY ANNE HELTON, FPSC Division of Legal Services.

HOLLY BRUBAKER, Texas Ohio Gas e'prime, teleconferencing.

KEITH SAPPENFIELD, Reliant Energy, teleconferencing.

RAY DeMOINE, NUI/City Gas of Florida.

TOM GEOFFROY, Chesapeake Utilities Corporation.

MARC SCHNEIDERMANN, Florida Public Utilities Company.

MARY JO PENNINO and ANSLEY WATSON, Peoples Gas.

WAYNE SCHIEFELBEIN, Chesapeake Utilities Corporation and Florida Public Utilities Company.

TOM GILDERSLEEVE, PLM Technologies.

ALAN RICHARDS, End Users Natural Gas.

MYRA MCABEE and HEATHER STUBBLEFIELD, Sonat Marketing Company.

CRAIG HEWITT, FPSC Division of Research & Regulatory Review.

P R O C E E D I N G S

(Workshop convened at 9:40 a.m.)

MR. MAKIN: Okay.

MS. BRUBAKER: Holly Brubaker. Texas Ohio Gas e'prime.

MR. GOLDBERG: Paul --

MS. BULECZA-BANKS: Paul, can you possibly turn up the mike on the phone that you're working with? It's very hard to hear you.

MS. BRUBAKER: Did you hear me?

MS. BULECZA-BANKS: Yes. Holly?

MS. BRUBAKER: Yes.

MS. BULECZA-BANKS: Yes, Holly, I did.

MS. BRUBAKER: Paul? Paul Goldberg is here too, but if you can't hear -- he's in Tampa, St. Pete.

MS. BULECZA-BANKS: Okay.

MS. BRUBAKER: And Keith.

MR. SAPPENFIELD: This is Keith Sappenfield with Reliant Energy in Houston, Texas.

MS. BULECZA-BANKS: Thank you, Keith.

MS. BRUBAKER: I think that's all there is here.

MS. BULECZA-BANKS: Okay. Thank you.

MR. MAKIN: Okay. With that --

MS. BULECZA-BANKS: Go ahead and read the

Notice.

MS. HELTON: Pursuant to Notice issued February 19, 1999, by the Commission and published in the February 26, 1999 edition of the Florida Administrative Weekly, the Commission noticed a proposed rule development workshop if requested.

One was requested by Sonat Marketing, Chesapeake Utilities Corp., Florida Public Utilities Company, Peoples Gas System, and Infinite Energy. The purpose of the workshop is more fully set forth in the Notice.

MR. MAKIN: Thank you. My name is Wayne Makin with the Division of Electric & Gas for the Commission. To my far left is Mary Anne Helton from our legal department, Cheryl Banks from Electric & Gas. And we've got Max Fulford, Shevie Brown and Paul Lowery, also from the gas bureau.

This is really your workshop. We're here to answer questions, be sympathetic with you, if we can. But what I'd like to do first is just go over a few things that are on the agenda, and Cheryl and I will share in all of this stuff and we'll answer the questions, if we can.

But just to kind of bring you up to speed as to what we're going to do. We really want to get every LDC to open up the transportation to nonresidential customers, remove the barriers, remove the thresholds, and get on with this opportunity for customers to see some kind of savings.

We've been going on for, I'd say, six or seven years, back when FGT unbundled. And at that point in time -- well, even prior to that, FGT offered all the LDCs, if you remember, an opportunity over a five-year period to unbundle or provide transportation to various customers.

We've had several workshops, three exact that I know of. We tried a model tariff to implement unbundling to no avail. We've gone on and on and on, and in one of our workshops the question -- and I have it in the agenda -- is, you know, should we unbundle for everybody. Well, we said no, not to residential customers, but give us an opportunity, give us time to phase it in for nonresidential.

And I think the time has come after which scenario you want to look at, whether it's the six or seven years from the time FGT unbundled or from the three years from our -- from the Staffs' first workshop, to get ready to open up your system. I think that's a sufficient amount of time to have everybody aware of what's going on.

Now, Peoples Gas has done a very good job of this. It's limited. That's fine. But it's a move in the right direction. City Gas has done a good job in unbundling their program. They're ready to go. Most everyone is ready to go and open up like they see it. I mean, all the other states are doing it. Georgia is a prime example of where we need to be.

Personally I think it's just time, and we've talked about it and I've talked to all of you collectively and individually of going forward with this. We get phone calls, as you know, from multitudes of people. Received a lot of phone calls last week about Peoples Gas FTA Program. Lot of them love this thing. They want to get on. They've been notified by other marketers, and say, tell me about this FTA program that Peoples is offering. It's a move in the right direction and it's taking off. I hope everybody else shares in our dream of unbundling.

Now, having said that, what I would like -- how I would like to proceed is, the questions or statements that each of you have -- we have six microphones. You've got to come up to the microphone. You've got to identify yourself, who you're with, every time you speak. And the reason is, we have a new court reporter and she's not familiar with you like we are.

So, having said that, this is your workshop. You requested this workshop. You must have questions. You must have concerns. We're here to answer the best that we can. If you have a position you would like to take, that's fine also.

So whoever would like to start first, you're more than welcome. Let's start with City Gas. I think that's the only way we can do it. And the rest of you folks, you want to come up, marketers, we have -- DMS is also here, state agency. They want -- City of Tallahassee is here. Everybody has an opportunity to speak, just let us know and we are here for you.

MR. DeMOINE: Hello. My name is Ray DeMoine. I'm here on behalf of NUI/City Gas of Florida. We've reviewed the rule. We don't have any particular problem with the rule. We have been moving in the direction of making transportation service available to all nonresidential customers. Just this past month our small commercial transportation program has been approved. We see that this is in the direction that we believe the Commission was moving. And we hope to be able to eliminate the volumetric thresholds for all customers as soon as we have a chance to realign our portfolio. So, therefore, we don't have any particular problem with this rule.

MS. BULECZA-BANKS: Does the December date, do you have a problem? Do you think that you'd be able to realign those supply packages by that date? Is that a reasonable date to you?

MR. DeMOINE: There's two things going on as far as I understand with regard to our supply portfolio. We were asked if we had any capacity to turn back, and it's my understanding that we did notify FGT with regard to FTS2 capacity. However, that's contingent upon future expansion of FGT on what level that they will accept being turned back.

We also had the opportunity this summer to turn back FTS1. There's still evaluations going on there because FTS1 is cheaper capacity, and we are trying to balance the interest of our residential customers, our captive customers, with that. So, a lot depends on what happens this summer and the analysis of the FTS1 capacity.

But as far as the December 31st, you know, we feel that we're in substantial compliance with this rule as it's written, you know, currently. For certain customers, we have no volumetric thresholds. But we would like to eliminate it for all the nonresidential at this point.

MR. MAKIN: Okay. Good. Chesapeake.

MR. GEOFFROY: Tom Geoffroy, Florida Regional Manager, Chesapeake Utilities. I think we have a little different approach than City Gas has. We certainly have a few concerns with regard to this proposed rule and mandating that all nonresidential customers be -- have access to transportation.

As you know, we support transportation. Generally speaking, we have a current threshold of 200,000 therms in place to where customers that are above that are eligible to transport. We have approximately 50% of our eligible customers who can transport, in fact, do transport. The other 50% do not, have chosen not to. We have spent considerable time educating all of those customers as to what potential benefits they may derive from transportation, and some of them, about half of them, have chosen not to at this point in time for their own reasons.

Unlike City Gas and unlike Peoples Gas, whom I'm sure you will hear from, we are not a very large utility, and we certainly have a lot of concerns about what procedures and what administrative back office operations we need to incorporate in order to be able to accommodate the potential number of customers who might be eligible to transport.

And I think that is the thrust of our concern is what expenses would we have to incur to establish those procedures, establish the resources to be able to handle the potential number of customers that could transport and, given that there are those additional resources that we believe we would have to have, what savings is there likely to be on the transportation.

We don't have the answers to those questions at this workshop. It's issues that aren't dissimilar to what we discussed at previous workshops. We have, however, taken some steps. We have not filed anything yet. But we have taken some steps to look at and done a lot of work looking at lowering our threshold down to the 50,000 therms per year level, and we believe that in the near future we will be in a position to be able to file something to move the level to that, notwithstanding this particular rulemaking process. Below that I think is where we have some significant difficulties.

MR. MAKIN: Okay. You say in the near future. Can you give me a date?

MR. GEOFFROY: I can't give you a date today, Mr. Makin. During this year I think is -- you know, before your December 31, 1999, date, we would certainly expect to have something filed prior to that.

MS. BULECZA-BANKS: I appreciate the comments. As just an aside on Staff's position, you had mentioned the 50,000 therm threshold that we had kicked around before. And I just want to tell you then, in case there is some people in the audience that weren't aware of why we switched off that 50,000 therm.

That was a kind of pull-the-number-out-of-the-air type of thing, and what I was fearful we'd get in, well, what happens when you have the customer who has 49,500? That, just to me, ended up creating a whole nother discriminatory issue. And then what happens if they started out at 50 but then they drop down to 45? We just got into some issues that it didn't seem, after we thought about it more, that specifying a numeric number like that was right. Because that was some of the issues that we had dealt with before that some of the customers who wanted to transport were just somewhat a little bit under the threshold of the utility. And that created a lot of hard feelings towards those customers and the company.

And, in fact, in one situation the company offered -- not the utility, but the customer offered to pay the difference as if he has -- was actually using the threshold amount just to be able to have that opportunity. And I just wanted to clarify that's why we had moved off specifying a numeric number, because it just created some -- we thought some issues that would develop later on that we just thought we would rather avoid.

MR. DeMOINE: I appreciate that clarification because we were also one of the ones that was curious as to what happened to that threshold and the proposed rule. Speaking more towards that, by the proposed rule, saying that it needs to be established for all nonresidential customers, in effect, creates a one-size-fits-all scenario, because I'm not sure that it does fit for all, and I can't speak for all of the other LDCs. I can only speak for us. But there are many LDCs who are smaller than us, have much more limited resources than we do and we, quite frankly, struggled as we've looked at the 50,000 threshold at how can we cost-effectively provide the necessary administrative services and back office operations to effect any savings for -- anything below

50,000. And we have a relatively good staff level. But compared to, say, an Indiantown or a Sebring or St. Joe -- and I know they don't have the number of customers we do -- but nonetheless, to mandate that it be eligible for all nonresidential customers perhaps sets it -- takes a one-size-fits-all type of approach that I think we looked at and discussed in previous workshops, that ought to be left up more to the utilities to decide what works on their system for their staff levels and for their customers rather than just one size fits all.

MS. BULECZA-BANKS: And if I could comment on that. I think that part of the reason why people are timid to move forward is, obviously, the unknown and they're not sure of what kind of enthusiasm they're going to get from their customers.

Tom, you had mentioned that only 50% of your customers who are eligible to transport do so at this point.

We thoroughly believe that when you're talking about these smaller consumption levels for these consumers, we do not believe it's likely they will do that on their own. We're going to assume that for the majority of them, they will have a marketer. And I think that some of the information we've gotten out of some of these aggregation tariffs that have been in place is that they are handled by a marketer.

And so in a way, in some respects if you have -- you know, say you had 50 customers that now are going to go through a marketer. It seems to me it almost reduces some of the load because that's 50 that's being handled by one person. And there are some -- you know, I agree. There are some additional administrative costs in the beginning to get it all set up. And I would agree with you on that. But my gut instinct is that, again, your participation levels are not going to be 100%. I mean, we see that in the customers who could probably really experience some savings. You only have 50% of them who are willing to do that. And I think that your participation numbers might even be substantially lower as you get into some of the smaller consumer there.

That's just something that you might want to, you know, take back and discuss with your company, because we strongly believe that once you get over that hump and all the administration and the procedures and your computer system is set up, I think it actually might even be a little bit easier. But it will take that to get it established.

MR. MAKIN: I think you're right, Cheryl. I think that, at least in my opinion, when we wrote the rule, I don't think this says one size fits all, because currently you have a transportation tariff, as does City Gas, as does all LDCs. Maybe the smaller ones don't, but that's because they don't have any transportation customers.

But your tariff is different than Peoples Gas tariff. So how you want to structure and how each utility wants to structure their own tariff to accomplish the unbundling to nonresidential is really up to them, with us passing judgment on it.

But what you design is unto Chesapeake Utilities. We are not going to say you have to do exactly what Peoples Gas does or what City Gas has already done. No. That was never our concept. The only thing that was kind of like a cookie-cutter approach initially was our unbundling tariff that we have, transportation tariff, but even at that everybody had their own input. But we are not dealing with a cookie-cutter approach on this deal.

MR. GEOFFROY: I agree with you that there's a lot of flexibility that's allowed in the proposed rule. I was referring specifically to the -- that it had to be to all nonresidential customers, and that does place us all in a similar situation in that in some fashion we would have to make it available to all nonresidential customers even though that may or may not make sense for every system.

MS. BULECZA-BANKS: Let me explain, if I could, right here where I have a great concern if we aren't all on the same class. I have some situations, and you're familiar with them, where utilities back up one to another. They could be on -- serving either side of the highway.

And my problem is, is if I have a business on one side and a similar business on the other side, and one can transport and one cannot, the Commission is actually skewing competition in the state for the person who possibly can save money. I don't want to be responsible for that because I think that competition should be what it is. You have to be able to compete effectively based on your business strengths. But I don't want to skew it by saying, yes, it's okay for you to do somebody at this level and you go ahead and reduce it more.

That's my fear because I've heard those same arguments very recently with two bakeries that were like a mile from one another served by different utilities. And the one person was saying, look, you know, this is not fair. I can't compete with the guy down the street because he's able to buy cheaper supply and I'm locked in. I'm sympathetic to that because I don't want to be the cause of tilting the playing field even more than it might already be.

So that's where my concern lies if we don't get something that's similar across the board. And granted, you're still going to have that on the municipalities and on the gas districts, and you're right. And what that's going to do is force them to offer that service also. I mean, there's where it gets down to, and I think that a lot of the municipalities are looking into it. But again, talking about staffing, they're not used to any of this and I know that a lot of them -- Clearwater has been active. They have been at these workshops. And I've had other LDCs that have called and asked for copies of the transportation tariffs, and we'd be happy to -- you know, to help them in any way that they can.

But that's really my concern about when we start doing that, start making -- you know, saying, well, you don't have to do, you know, anybody except at this level. And that's what we're experiencing right now, and I think that's why I was particularly concerned when I have people up, "Well, so-and-so is with this utility and they're transporting and I can't." And I feel like, gosh, you know, I wish I could help you out and do something, because if I was in that position I'd probably be even more vocal than that person was to me on the phone because it's not right. And I think that you can even look at it -- I mean, I'm looking at it, obviously, from a Florida perspective. But you can also look at it on a national level where you have similar companies competing around the country, and they're able to get some of the benefits that we haven't seen down here in the state. And I'll step off my soapbox now.

MR. MAKIN: What else there, Tom? What else?

MR. GEOFFROY: I guess the other comment that I would have to make at this point in time is we've been watching with great interest what they're doing in Georgia with Atlanta Gas Light and see what successes they are experiencing and what failures they're experiencing. And I think that that can shed a lot of light because I see that market about as similar to the Florida market as any in the country with being in the south as well.

And some of the other programs going on up in the northeast and Midwest are a little bit different because of the heating value and the heating loads, but I think that Georgia could give us some insights as to where they've done a good job and where they've not done a good job, and we could help avoid some of those pitfalls in our market.

But I also am interested in hearing some from the marketers that are here today as to what interests they have in the unbundling process and how they see it working and how they see their role in the process, because I think that's key to the overall program.

MS. BULECZA-BANKS: And with one more comment on that. One of my concerns have been that people may not understand in what direction we're really going in here. I have not seen any documentation based on Florida customers and usage levels that would support forcing utilities out of the market function. I haven't seen it here. I mean, that was a choice that Georgia did to get the market going, and I admire that. But they also have a significant heating load in Georgia that we don't have past north Florida. And that average consumption per month changes dramatically. And that was just one approach. Maybe at the end it may seem that that's the best thing to did.

I mean, New York also has decided that, you know, this is it. We need to get the LDCs out of the market function. But they've been unbundled for a number of years now. And they've had that experience. And I'm not saying that I won't sit up here five years from now and say -- or ten years from now -- I hope I'm --

MR. MAKIN: You going to be here?

MS. BULECZA-BANKS: I guess so. It said on my retirement I have to be 14.9 more years.

That I'm not saying that we need to get out of the market function now. I'm not going to make that promise. But right now I haven't seen any data that would support that at that point. I don't see any marketer who will be willing to take that, because we'd have to aggregate every residential customer in the state of Florida. You know, you've got that many around Atlanta that are using gas just about as much as we have in the entire state. So the picture is a little bit different.

But, I mean, I agree. In any of the ones that we've -- we've got volumes of stuff of activities and where states have been successful and where they haven't been successful. I got a six-page fax yesterday on some actions another state is taking.

And it's an evolutionary process. And, I mean, we recognize that that, you know, what we do today may not be the right thing three years from now.

And I give you credit that, you know, we're treading on new ground for a lot of this. I mean, some of you have experience in other states and have been doing residential pilots already. For this it's like no big deal. But some who have never done this at all, it is a big deal and it is new. And it's difficult because those people with experience are also your competitors, so it's hard to get the information. And obviously Wayne and I and the Staff don't run a gas company, so we can't help you out too much there either.

MR. MAKIN: Talk to me a little bit, Tom, on under your current transportation tariff restrictions, how do you handle the State of Florida DMS transportation programs to state facilities in your service area?

MR. GEOFFROY: We handle them just like any other customer. If they have a facility that -- a single-site facility that uses that quantity of gas, 200,000 therms a year or more, they're eligible to transport. And we have some state facilities in our service territories that do meet that threshold and they are transporting.

Other facilities do not meet that threshold and they are not eligible to transport today. We do not at this time offer the aggregation of similar state-owned facilities into one, and that's how we handle it today.

MR. MAKIN: Do you think in your mind that if you did offer the State of Florida -- I'm just picking on the State of Florida because they're here. That's why. If you did offer some type of aggregation -- which you don't have, not only for the state, but you would have it for anybody else -- do you think that would encourage the State and those type of customers to use more gas or less gas because the price is a little bit lower than what they're currently paying?

MR. GEOFFROY: The State has approached us and asked us about the other facilities and if they could use -- if they could transport to all their facilities. At no point in time have they indicated one way or another whether that would lead to more or less gas usage. So I don't know the answer to that. I would hope that if they can get it at a lower price that it would encourage them, as it would any customer, to utilize more of the commodity if they could get it at a lower price.

Now, there is obviously a threshold there. Is 1% savings, can it encourage them to use more gas than not? I don't know. I would doubt it. But, I see it more as a competitive price issue; how is the natural gas price compared to electric or other oil or other fuels that they could use for their applications?

So certainly anything that helps bring the cost of gas down should, in theory, encourage or make gas more competitive.

MR. MAKIN: Good. Florida Public.

MR. SCHNEIDERMANN: Good morning. I'm Marc Schneidermann, manager of Gas Operations Engineering and Supply, Florida Public Utilities.

I can go down the list that I jotted, Wayne, if you want to take that approach, or I don't know if you had anything.

The first thing, as far as transportation and cost of gas, as you know, we traditionally have the lowest PGA in the state, which may be one of the reasons why we don't have too many marketers banging on our customers' doors.

What we're concerned about is the effect on the nonresidential customers. The -- I should say residential customers. The nonresidential customers, we have about 3,400 nonresidential customers. They represent about 80-some percent of our load and about 60% of our base revenues. With transportation service being offered to the nonresidential customers, we have to be very concerned about the cost allocations to our residential customers, who's representing about 40% of the base revenues.

MS. BULECZA-BANKS: Let me -- I'll just interrupt you for one moment. Those percentages and numbers you gave me, were those nonresidential? Was that 3,400 nonresidential?

MR. SCHNEIDERMANN: That's nonresidential, yes.

MS. BULECZA-BANKS: Which makes up 80% of --

MR. SCHNEIDERMANN: The annual load.

MS. BULECZA-BANKS: Of the annual load?

MR. SCHNEIDERMANN: Yeah.

MS. BULECZA-BANKS: Okay.

MR. SCHNEIDERMANN: So the concern is, what is the effect going to be on the residential customers. I know there's some similarities to markets in Georgia as they are in Florida. But they're very different in our territory. We have seasonal customers; many seasonal customers.

Residential customers, as we know, are very difficult to obtain and also retain in our market. We can't risk losing that market. If we lose the residential market, eventually we're out of business. So that's one of our concerns is protecting the residential market. You know, you're talking about 40% of base revenues. We have to make sure those customers are protected.

Right now, our current tariff reads, for transportation service a customer has to consume 15,000 therms per month to qualify. We have approximately 20 transportation customers on line or in the process of turning on line. With that, we only have a staff of two people in gas supply. If I look at the potential of having 3,400 nonresidential customers compared to 20 or 22 we're going to be having -- transporting, there is a great effect on administrative requirements.

MR. MAKIN: How many people currently transport their -- eligible to transport on your system?

MR. SCHNEIDERMANN: Right now, even the ones that are transporting are in the process of signing up and we're ordering RTUs, it winds up being about probably 90%. 20 out of 22.

MR. MAKIN: Okay.

MR. SCHNEIDERMANN: Other concerns that we have is with the timing. December 31, 1999, to have a tariff in place, one of the things, if we did go over to opening transportation to all nonresidential customers, we'd want to, obviously, obtain the proper software and hardware to conduct all the functions associated with transportation. Right now with everyone looking at Y2K issues I'm not too comfortable with putting a new system in place before the end of the year. I'd be more interested in waiting a period of time so we can make sure whatever we get does actually function after January 1, 2000.

Obviously, as I mentioned, there is additional costs with transportation. We would have administrative overhead. We would, obviously, have to adjust staffing. There would be ongoing incremental operating expenses, capital expenditures. We're still looking at the possibility of still requiring RTUs for transportation customers to make sure they're paying the fair share of what they should be paying for the services provided to them, to make sure their suppliers are putting enough gas on the system, which would equal the amount of gas that the customer is actually consuming.

MR. MAKIN: You see, this is what I said earlier. You know, "We need more time. We need to figure out what it's going to cost us. We need RTUs and ya-di, ya-di, ya." It's the same thing we said, and everybody said, in the workshop three years ago. And for three years, with the exception of some, you haven't done anything. You haven't called us and said, "Hey, I'd like to try this. I want to do this." You haven't done anything.

Now we get down to the point -- and I'm on my soapbox, by the way -- "give us some more time. We got to figure out. You know, we got the administrative cost, we got this cost, we got" -- that you haven't identified. You don't know what it is. None of you know what it is. You talk about it, but you don't say, "Yeah, here's the dollar amount. I need another 50 people. So it cost me $3 million because I've got to do this and I've got to do that." You haven't shown us that. But you're saying, "Hey, we need to take a look at it. We need more time."

I've got five more years before I retire. I'd sure like to see this thing in place. And, you know, I don't think we're being unreasonable. I think at the time is -- you've got to make up your mind that we're going to do it, see. If you say, "We're not going to do it," then I guess eventually we'll go to hearing and you can tell the Commissioners that this is not good for the general body of ratepayers or it's not good for Florida. You've heard that song before. Because we think it's good for Florida. We think it's the right thing to do.

But, having said that, tell me something I hadn't heard.

MR. SCHNEIDERMANN: Sure. Well, the difference is, you know, we're not really supporting transportation for nonresidential customers, and that's obvious. We could try to estimate the additional cost. It's difficult to estimate not knowing if we are going to have another 500 customers signing up, another 1,500, another 3,500 customers. That plays a big role. I don't expect to have all of our nonresidential customers sign up for transportation service where it's offered. But, again, we're not in favor of opening up the market for nonresidential transportation for fear of losing the residential market.

MS. BULECZA-BANKS: I see -- and you've made the point before and we've kicked around numbers too. Your fear is -- and I'm going to paraphrase, and if I'm wrong just correct me as I go along. Your fear is that the cost -- your PGA costs are going to go up as your better load factor customers go off line, is that correct?

MR. SCHNEIDERMANN: That's true.

MS. BULECZA-BANKS: All right. And I will probably give you some element that I would agree with that to a very small extent. You -- I would agree that -- and here again, you're going to pay a market price for the gas, and you may pay a little bit more, maybe an increment more, on these low load factor customers. But when we have looked at it and looked at the volumes, the incremental difference that would befall is so minute because you're not going to pay substantially more than the market price is going to bear for the quantity of gas you're buying. And I agree with you there. And most of the time, just like anything else, when you subscribe to the capacity on FGT again, you're still having that problem right now, that you're going to have excess capacity probably almost every single day of the year which you try to sell on the secondary market. And what -- if we had a better and more active secondary market, possibly people could reap more benefits and draw down the PGA even more for the people who are left on the system.

That is just my aside. Because we have

looked into that. We've heard that argument from the get-go that this is really going to impact the customers who are not transporting.

The other issue was, on those 3,400 customers that would have the possibility to transport, can you tell me what classes of customers those represent? I mean, I assume it's your small general service?

MR. SCHNEIDERMANN: About --

MS. BULECZA-BANKS: I mean, what classes? Just name.

MR. SCHNEIDERMANN: I believe about 850 would be the large volume service and the balance would be the general service customers.

MS. BULECZA-BANKS: So the majority still will be in the SGS class?

MR. SCHNEIDERMANN: GS we call it. Yes.

MS. BULECZA-BANKS: Okay. GS. Okay. All right.

MR. SCHNEIDERMANN: But I'm more than willing to estimate the cost associated with going over transportation and to get with Wayne at a future date and discuss it with him.

MR. MAKIN: You see where I'm coming from? You're telling me all this stuff and I'm not picking on you. But you're telling me that you can't do it because of the cost. You're telling me you can't do it because it may hurt the nonparticipants. And you're telling me, "I'm against this." And that's fine if I could see the justification that says, yes, it's going to hurt the general body of ratepayers on my system, I don't want to do this. That gives me something, gives us something to go to the Commission and say, hey, forget it. We're not going to do this because it's going to hurt the state of Florida.

MR. SCHNEIDERMANN: We'll submit that information to you.

MS. BULECZA-BANKS: One of the things that I love is Wayne's story that he always tells me when he gets on his soapbox, and I think it has a lot of credibility.

If you can just go back in time to your 1990's and 1991's when other pipeline systems began to open and for some reason FGT did not. And I remember the LDCs wanting that choice. They wanted to purchase gas supply, and guess what? The system wasn't open. And just by the force of hand, finally we got -- you know, FERC forced FGT to open. But prior to that time, you were locked into buying supply from FGT.

And I will tell you -- and anybody can yell and scream and jump up right now -- that your cost that you're paying for your gas supply today is cheaper than it was when the system was closed. And these are the same -- what I hear today sometimes is the same mimicking we heard before from FGT. "It won't work. It's too expensive. You're going to jeopardize system integrity if you do this," and the same arguments we heard before, but now all the LDCs and the end use customers have benefited from the open system.

Can there anybody in the room please stand up and deny that's the case? Because I would be hideously surprised, because what we have seen is you have benefited. The LDC has benefited by having to be able to lower the price to be able to compete more, and we've seen that the end-use customer has also benefited by that flow-through. We're just trying to get you all to open up so those customers who were in your same position six, seven years ago can experience those same benefits.

MR. SCHNEIDERMANN: Cheryl, I agree to the extent, yes, customers have benefited by the opening of FGT. But the order of magnitude of the number of customers that you're dealing with between FGT and their customers as opposed to and LDC and their customers is very different. And there's a big difference in administrative cost.

MS. BULECZA-BANKS: And I agree with you to the extent that I do not believe that you will have 34 customers who will be independently calling Shell and Amoco and Hadson and everybody else and buying their own gas supply. I believe you're going to be working with a handful of marketers who are willing to work with the direct enduse customers and significantly lower the potential of administrative cost that you believe will be incurred. I just -- I cannot fathom that there is a person who is running a Wendy's who is going to go to the corporate office and say, "I'm going to call up and I'm going to start arranging gas supply for myself on a daily basis with Shell." I just don't see it. I see the system getting much more simplistic.

I remember when one speaker -- I'm not going to say their name -- going to one conference listened to a speaker say that you're going to be able to go outside and run your gas card through the meter to pay for it. And I laughed my head off. And if the cost of that meter was cheap enough that's probably what we'd see.

I really think -- and you're going to see a lot of prepaid packages that are coming; that I'm going to sit there and prepay my gas for, just like I do cellular service or anything else. I'm going to be able to prepay that for a year. And if I go ahead and prepay it upfront I'm going to get a discount just like Internet service or anything else. I really believe you're going to see that.

But we have been so skewed through all these years of working within the framework of a monopoly system that we can't fathom, we can't take that first step forward because we keep thinking within the box. I'm trying to get -- to open you all up to a little bit -- just open your minds a little bit and I don't think it will be as painful as you are making it out to be.

I remember -- I mean, FGT sitting in my office saying that this is not the thing to do. "We can do it better than anybody else. We can buy gas just as cheap as anybody else." And that's the same thing that I hear from the LDCs that they tell me. "No marketer can buy it cheaper than I can buy it. I can buy it just as cheaply as them." That's the same argument FGT told me. But it's not true. And I've seen where some marketers have gotten some excellent packages of gas and the end use customer has benefited and helped competition within the state.

But here's the bottom line. If you -- and I have preached this since the beginning of time. If you do not begin to start to give customers the choice that they want, they will not be there. If you're worried about your residential load that's 40%, I'm sympathetic to that. But if you lose the other 60% because they decide to leave to an area where they have choice or they start closing down because they can't compete with people across the street. That is where you're going to feel it. And that is what I truly believe. And we've seen it. Maybe not to the extent right now, but it's just like anything else: If I don't know what you can do, I can't be jealous of it. But when it starts to get out there -- and you've seen it. I mean, article after article in every paper, every consumer; if it's not gas or electric or water and sewer or telephone, there's something out there in an article out there that's explaining to people what choices are available around the country. What's happening here. And they begin to raise their hands out and call us and say, "Why can't I get that here?"

And I think -- you know, it may take a little bit of time, but I think what you're going --

by holding -- by trying to hold on to the base, you're going to lose the meat. And I think we've seen that in some of the utilities. It may not have been in your area in West Palm, but that, you know -- strike me down but I believe that to be the truth.

MR. MAKIN: So there. That's a soapbox.

MR. SCHNEIDERMANN: I hear what you're saying, and yes, as far as the competition and people leaving the territory, our area does not have the industrial customers that are in other territories, other distribution companies have. But what we'll do is, we will get some cost studies together to show the benefits or lack of benefits of providing the transportation service.

MR. MAKIN: Good. That's what we're asking for.

MR. SCHNEIDERMANN: Okay. Thank you.

MR. MAKIN: Okay. Thanks. Peoples Gas.

MS. PENNINO: Hi. My name is Mary Jo Pennino with Peoples Gas.

Wayne, I appreciate your recognition of our recent effort here to do a little bit more to advance unbundling. And, frankly, it's made a lot of sense for our company and that's why we've done it.

I also appreciate you all's frustration over the pace. You know, Cheryl, as you say, it's an evolutionary process and I guess the evolution has been a little bit slower than you all might have liked it to have been.

We just have a some questions that we think it would benefit probably most in this room to get some clarification on some points.

And the first one -- some of them are specific to the writing of the rule, but the first one is of a very general in nature. And that is -- and you've touched on some of this. But very specifically, you're drivers -- you stated -- Wayne, as you stated, you want us to realize the dream. And you're first statement was that you want to see all LDCs unbundled down to the -- through the nonresidential level. What specifically are the drivers? Just summarize that for us.

MR. MAKIN: Well, like Cheryl said, there is several customers who've called requesting transportation service that just don't qualify.

MS. PENNINO: So that's a frequent occurrence for you all but you're hearing from customers?

MR. MAKIN: Customers bypassing, either because the company doesn't offer, or will not offer, the transportation, the service. Or the customer itself just has given up and will move away from the company. And we talked about a threshold, and we said, you know, for Peoples Gas, on a stand-alone basis it's half a million therms a year. However, and Cheryl mentioned this earlier, that if you had a customer that was 450,000, and, granted, you've got to draw the line somewhere. But that particular customer said, you know, "If I could get on transportation, if you could kind of bend the rule just a little bit" -- and I'm not the one to bend rules as you know -- "But if I could just bend the rule a little bit and go to transportation, I will put on another boiler. I will put on another something which will take me over that threshold." Well, if you can't work with the utility and say, "fine," I'll just bypass you. I'll just go. Then you have other -- before I say this, let me look around.

You have other individuals that their goal is to come and take customers away from you; and encourage them to bypass. And if you have nothing at home, you're going to go with the other person that's encouraging you to bypass. And we get a lot of calls like that. We really do.

MS. BULECZA-BANKS: And one of the other big drivers, Mary Jo, is what I had said earlier, was that the issue that by allowing all these differing thresholds we are skewing competition within the state and I don't think that's appropriate.

MS. PENNINO: And let me tell you we're in line perfectly with all those reasons. If this is a customer-driven effort, we need it to be in place as much as you desire it to be in place.

A couple other points of clarification. You've both touched on Georgia. Wayne, you said you felt like it was a fine example, but then, Cheryl, you alluded to the fact that maybe that isn't what Florida would need.

If you all could just comment on the Georgia -- on the AGL. And I'm assuming we're talking about AGL versus Georgia. Because the Georgia example is to do this through the legislature and then have the utilities come in with a plan, if they desire. That's how I understand the Georgia case to be.

So I'm assuming we're talking about AGL specifically. And AGL's unbundling includes a change in rate design as well as mandated unbundling. They will no longer have a -- any of the merchant function.

So just, if you would, comment on what you like about Georgia and what you don't think makes sense for Florida.

MS. BULECZA-BANKS: Well, I was very impressed that they went ahead and did something. It isn't one of the states you'd think would. Again, southern usage is not as high as your New England states. So that was kind of a surprise when they -- and they jumped both feet forward. I mean, there wasn't much there before that legislation. And -- well, and like a lot of things, the way it transpires in the utility world is because AGL came forward and said they wanted to do it. I mean, that's basically why it was done. And I think everybody can acknowledge that. That's the reason why it was done.

AGL did that, obviously, because they thought it was in the best interest to just get out, just to get out of the market function. And the only way to force customers to choose was to tell them they had to and that was it.

If you remember years ago we had to do that with phone service that you -- for your long distance carrier. I don't know if anybody really remembered, or even remembered to check a box, but it was actually in your bill. And you had to check one of three. I mean, they forced you to do this too. You had to make a conscious choice. If you did not, you wouldn't be with your original carrier. You may but you may not. It was -- again, it was like a lottery thing.

I admire that and I think it's a neat step forward. The customers obviously had to choose somebody other than AGL. Of course, they have their marketing affiliate, and I'm sure the customers knew that and they knew who it was. So, I mean, if they wanted to choose they can essentially stay -- I mean, theoretically you're still staying with the company, and probably the same individuals who bought the gas before are going to be buying it now.

I like the idea of giving customers choice. Obviously that's no big surprise to anybody who's in the audience who's heard me over the last several years. But I like the idea of choice. I don't like, necessarily, the idea that I'm forced to leave either. I mean -- and if the utility is willing to provide that service, then that may be an option that I want available to me.

But again, from the utility's point of view -- and Wayne and I've talked about this a lot -- that if you're given the choice and you have a marketing person who's basically going to do the same thing you were doing, I don't see the harm in that either.

I mean -- because you'd have the same people and you think at this point now I can do this for a profit. And if I have enough wisdom, and I've been buying gas supply for 35, 40 years, and these marketers are coming in with just, you know, seven, eight years of experience, perhaps I really believe that I can do it better. And if you can, you're going to have all those customers for yourself. And you're going to be able to make a profit on it that you didn't have before.

Again, it's like when Tom says, you hate to have a cookie-cutter approach, that what works for one will work for all. And we acknowledge that that's the case. And the breakout -- I mean, Tom may have 80% industrial; somebody may have only 20% industrial. That changes the picture quite a bit.

Georgia also -- their usage patterns are different. They have a significant winter. Atlanta has several days where they have flakes of snow and yet they still have the hot humidity in the summer. And it's hard to say what research they've done to determine that. But when I look at articles and I see the average usage up north in New England is 89 therms a month, and I look down in Florida and we're at 14 for a residential customer, I'm really leery about who would want to do it.

But at the same token, if I happen to strike the lottery and I build Taj Mahal over there, and I've got this pool heater running in my Jacuzzi, and I've got three water heaters, and I'm using more than a small commercial customer, and I could have a gas bill of $200, $300 a month; you know, $25 might not seem like a bad deal to save either.

So that's the reason why we have in the rule that if you want to serve residential load, you can. If you want to give them the choice, you can. I'm not going to preclude anybody from wanting to do that. City Gas is sitting there with nearly 90% residential customers. But yet they're willing to do it. Why? Why do they, when I have Marc who's saying that 40% of his load is residential and he's worried about losing them?

All I can say is it must be because City Gas has had experience up north and they're going to say, well, yeah, but look at the usage values. They're so much greater. But the process is still the same. And if they believe that they can save that same money, they must be -- must be able to if they think it will work down here.

So, I mean, that was one of the questions that I always wondered. It was, like, why do the LDCs in Florida oppose this so much? They don't like it and they think it won't work and it is an administrative nightmare. And I look at some of the smaller LDCs up north -- and granted, there's some huge ones, but there's some smaller ones too. Why is that not such a big deal for them and they're going for of it full -- I don't understand. What is it -- what knowledge do they have up there that we just don't? I mean, I don't know. There must be something. Maybe they've got great training up there. I don't know. But there's something up there that is particularly appealing that's not very difficult for them.

I never heard, in all the other papers that I was reading, anything about administrative burdens. That was never an issue in the proceedings up there. I don't why. But that has never been an issue. Only down here did I hear administrative burden was in Florida. I don't know.

Now, I haven't given you a lot on the AGL proposal because mostly I can't skew what works for AGL, or what works for Georgia, and what will work for Florida. I just -- I just see that the average residential load down here is not strong enough to support that effort. And maybe I'm wrong. And I'm not sure that we're going to have a lot of marketers playing. And again, maybe I'm wrong.

I've seen a lot of states where they complain that when they start a pilot program they don't have a lot of marketer interest. And I guess it depends on what you consider a lot of market interest. I mean, when they first had the point where you had to sign up in Georgia and there was a date certain that you signed up for if you wanted to be part of the program, there was quite a few. And, of course, a lot of them backed out after that. But is six a lot? Is 12 a lot? Or do you need 30?

I mean -- and when you start looking at it -- put yourself in somebody else's shoes here. Take one of your affiliate's positions. If you have "x" amount of residential load and you're only going to get a tenth of it, is it worth it? Probably not. It seems like if you had three big boys -- which was what we started out in telephone, your choice was three -- was that reasonable? I mean, that's some decisions.

But as far as just generally overall speaking, I just -- I don't see it as a mandate to do residential because the data doesn't support that.

What I've seen -- what we've been over for all these years and assimilated -- and basically the only thing in our storage room now is unbundling from top to bottom -- doesn't support it.

But, again, there will be anomalies where -- I mean, I've seen those special housing divisions outside Tampa where they have -- I mean, self-contained communities with restaurants and everything. And everything is self-contained. And it's like, well, if you got all of them, well, that would work even though you've got a mixture of everything. You may end up having a program where this marketer has all of that. He convinces -- he has one meeting for this whole home thing -- I mean, we've driven by them. I don't know the names of them. But, God, they have these elaborate bridges going off as you drive through the highway and they go on for three miles.

Well, it's mostly residential load. And I think, well, golly, if you aggregated that and you got -- I mean, I don't know how many homes are in there; it must be something really dramatic in there. You got 50,000 homes in there. Heck yeah, maybe it is. So I don't want to preclude that. But I just don't think that you're going to go down the road, lay a service line for somebody who's got a 1,500 square foot home and make a profit. I agree with you. And I don't think that's going to help you run the company. It's not going to help the customer save much money when his bill is $20.

MS. PENNINO: Well, I think that's an important clarification to make. Because the AGL example -- there's a lot of precedence, perhaps, in the AGL example that I know we're not necessarily comfortable with. And so as you refer to Georgia, what I'm hearing is that you don't want to, as you say, preclude residential from the choice. And frankly, I think whether it's in the rule or not in the rule doesn't preclude them. Without the existence of a rule, we've not been precluded from unbundling. And so, whether it's in or out I would hope wouldn't preclude that. But I do understand more clearly what, perhaps, your intent was there.

MR. MAKIN: I don't think, Mary Jo, that we're advocating doing what they're doing now, AGL. I mean, they just jumped into it with both feet and really had a problem. Because -- I mean, it hadn't been that long since they started this. We've been doing it longer in Florida than they have. Because they used to call and say, you know, "What about unbundling? How does this work? How does that work?" And the next thing you read is, bing, they're doing it. No. No. No. That's too fast. We're kind of -- we're a little bit slower in Florida, you know. We'll wait and see; wait and see. But the "wait and see" is over with, so I wouldn't worry about that.

MS. PENNINO: I appreciate as well the concerns of those LDCs that have gone before us and can relate to almost all the points that they've shared; the effect on the captive customers, additional costs, and also the discussion of one size doesn't fit all. And, frankly, I believe that the rule, as worded right now, dealt with that issue, as opposed to the model tariff that was very specific. I think that you've allowed the utilities to develop something that would accommodate their needs.

If we could, just for a few minutes, I'd like to step through some of the specifics in the rule and what the thinking was behind some of that. And I don't even need to lead you through that discussion. If you wouldn't just mind taking us through the subsections and explaining your thinking on -- we really already covered the residential. I'm curious to know the significance of December 31st, the significance of -- well, in each of the paragraphs --

the requirement for notarization; what your thought was behind interrupting the customer if the gas doesn't show up. Would you mind just kind of stepping us through some of your thinking?

MR. MAKIN: Sure. We will start with -- well, obviously we know what Paragraph 1 -- what that's about. We've beat that to death.

December 31, 1999, the reason we picked that date -- is correct me if I'm wrong -- was due to your contract expirations with FGT. Okay. Meaning that if we could open this up and have folks transporting, you would not necessarily need that excess capacity; you can renegotiate your contract and you wouldn't have that stranded investment. So that was the reason we picked December 31, 1999, because I think some of your contracts expire on that date.

MS. PENNINO: The turn-back date is mid-2000 and we need to give notification a year in advance. So that would bring us to July of this year of needing to make a decision on our FTS1 capacity.

MR. MAKIN: Okay. That's correct.

MS. BULECZA-BANKS: We saw an opportunity to reduce any potential -- that "s" word, that stranded investment word -- if we could reduce that in any way to give you notice that that was a possibility. This date is not set in stone. It is something that we put on the paper. I mean, if you told me, well, December 31st is really bad, but January 15th is great. Gee, I probably wouldn't have a problem with January 15th. And there is some flexibility. I just threw that out there as an example.

However, to be perfectly frank, if somebody said that, you know, "Well, we'll have it done by January 2001," I don't think we'd be happy with that.

MR. MAKIN: Okay. Sub (a), Sub (2)(a), deals with pretty much what the utilities do now, with one exception is that you would have the right to terminate service if a third party didn't provide the service. I think you can do that today. You try not because you go out and your tariff already speaks to purchasing gas for these folks if the marketer doesn't provide it with certain penalties.

But this just puts it right up front that, yeah, the utility can terminate service if the marketer doesn't provide it. So, customer, marketer, you need to deal one on one. Let's work this out. Because I can terminate service. So it's not really new. It's something that's been around. It's something that I think you would terminate service if you had no choice. I'm sure you would.

MS. PENNINO: And, I guess, just one of our concerns related to this paragraph, is it seems to give you an either/or, when actually there is a third choice, and I think you just said it, of working through the marketer. In other words, we wouldn't want to be in the position of disappointing our customers by, number one, shutting them off or number two, charging them the otherwise applicable tariff, which may not be desirable to them. We would want to be in a position to be able to penalize the marketer for their -- for that situation, and work through the marketer, and not necessarily impose all the harm upon the customer.

So our concern is that the "either/or" wording in here seems to preclude us from a third choice that might be more customer friendly.

MR. MAKIN: You would suggest adding additional language to (2)(a)?

MS. PENNINO: Well, that would be a choice, or maybe the lack of specifics would allow the utility to develop the alternate course of action that it feels would be appropriate, and that would be something that would be laid out in a tariff or a transportation agreement or something like that.

MR. MAKIN: Sure.

MS. PENNINO: We just don't want to have the language in the rule that would limit us from some of the options that might make more sense.

MS. HELTON: Maybe I'm a little bit slow today, but will you show me where the "either/or" language is that you're talking about.

MS. PENNINO: I'm referring to the -- in the bottom of Paragraph (2)(a), if the customer's marketer or broker fails to provide the gas, we may disconnect them, or we can provide the natural gas service at our applicable tariff.

So it seems to say you can do one or -- you can take one of these two courses of actions. And if I'm misinterpreting this, I'm open to that as well. I just want to make sure that there is, in fact, that third choice of establishing some other course of action that might actually keep the marketer motivated to keep that gas flowing and not just penalize the customer.

MS. BULECZA-BANKS: I agree with -- that if you want, you know, an additional option, perhaps you can suggest an additional sentence. Because to me your choice is, if the gas isn't there, you either provide it or they don't have it. I mean, those are really your two choices. Now, I mean, that's it. I mean, what you choose administratively to get your money back from that is like an addition. But I mean, if the guy doesn't supply his gas and it's not on, your choice is either to give him some gas or take him off. And I guess that's where we get to the either/or. There is no other option. He's -- I think what you're going for is that we can penalize the marketer to keep the gas going, right? So that he isn't inclined to not provide it. But that's seems to be an additional statement.

MS. PENNINO: We're looking for a situation where the customer is not necessarily penalized for the actions of their agent. And the way this words -- the way this is worded now, it appears to us that either way the customer could potentially lose, depending on their price compared to your otherwise applicable tariff.

MS. HELTON: Isn't the customer's ramification to fire that agent and go out and get another one?

MS. PENNINO: Sure. I guess what we're simply looking for is maybe the lack of detail that says what you charge in that instance. That would be determined by the utility and approved by the Commission in the tariff, but that the rule not limit the choices.

MS. BULECZA-BANKS: Then I guess your tariff choices -- I mean, your choices are within the tariff that you would file, I guess. This says, "or provide under its otherwise applicable tariff provision." And if you had the "otherwise" provision in there of when this happens what you would charge, then can't you get in it there? Or who you would charge it to within the realm of the agreement or the tariff?

MR. MAKIN: Yeah, because --

MS. PENNINO: And maybe that's the flaw in my interpretation. Perhaps everything that we need to say could be worded in this tariff. I've been thinking about it in terms of the way we currently have it right now with our transportation customers, where it snaps back to their sales service tariff and those provisions. And that's what -- I mean, that's where, perhaps, my confusion is.

MS. BULECZA-BANKS: I think perhaps -- are you, perhaps, reading this that you have to otherwise provide it under the PGA rate? I mean, is that what you're reading?

MS. PENNINO: That is my -- that's what I'm reading. And are you suggesting that it's the provisions defined in the tariff for this situation?

MS. BULECZA-BANKS: Well, that's pretty much what it -- I guess, that's, you know, we worded it so generally that it would be under the applicable tariff provision. Otherwise, it would have probably said the purchase gas adjustment.

MS. PENNINO: My confusion, I think, is coming from the wording that we currently have in our transportation tariffs where it says if the gas isn't flowing you can flow gas to them, but it's under your bundled tariff. So -- but I think we probably understand. Is that -- I think we probably understand your intention here.

MS. BULECZA-BANKS: It's whatever you state in your tariff.

MS. PENNINO: So we can define the provisions --

MS. BULECZA-BANKS: The provisions within the tariff to incorporate whatever you want to charge. If you want to charge the penalty, the agreement to penalize the marketer or broker or this, that and the other, I think that would just all be wrapped up in here.

MS. PENNINO: That's clear.

MS. BULECZA-BANKS: We're trying to give you enough flexibility when you do this tariff, that --

not saying that when you file it we're going to love it, now -- but to give you enough flexibility to work -- what works for your company.

MR. WATSON: I think what Mary Jo is saying, though, is that --

MR. MAKIN: Would you --

MR. WATSON: Excuse me. I'm Ansley Watson, Macfarlane, Ferguson and McMullen in Tampa, attorney for Peoples Gas System.

I think what she's saying is that the way that the rule is currently worded, it appears to limit other options. And maybe you could say something as simple as, "the utility is responsible only for the transportation of natural gas, which a customer causes to be delivered to the utility for transportation, period." So that if it doesn't show up you can cut them off; you can penalize the marketer; you can provide service under your otherwise applicable tariff rate. Whatever the tariff provides. But simply make it clear in the rule that if the customer doesn't get the gas to the utility, the utility's transportation obligation ceases to exist.

MS. BULECZA-BANKS: Okay. We'll look into that wording. But for us, it looked very clear. I mean, honestly. I mean, we're trying to make this very simplistically worded. To me it was, like -- it's so funny because I'm a layperson. I'm not an attorney. If the customer's marketer doesn't get you the gas, you can cut them off. If you don't cut them off, and you're going to supply them gas, you can do something else. I mean, when I was making that simplistic statement is that if the marketer has not put on the gas that it needs to, your choices are you can disconnect them or supply them the gas. What's the third choice? If the gas has not been put on, what's your choice? You either deliver some or you don't. That's where the either/or is.

Now, other provisions can be added within there that explains, you know, the penalties or, you know -- I mean, you have them in there now. I mean, everybody's got them for nonperformance penalties; what would happen if they don't put the supply on. And they have penalty provisions. And a lot of times the way it's worded, to me they're directed at the customer. Even though a lot of times the marketer pays for it. But again, I think that's something that a lot of times is addressed in the agreement too.

But anyway, we can look into that. We are going to -- and I'll jump ahead just a minute. We will have comments filed after the end of this, you know, if you give us some time, that if you want to suggest some alternative wording we'd be happy to look at it. This isn't a big sticky issue for us. It seemed kind of clear to us. But I can see if you're reading into it that it reads PGA and you want other options or you want other penalty provisions then -- you know, if you want to suggest some wording, that's fine.

MS. PENNINO: That's adequate clarification.

MR. MAKIN: Okay.

MR. GEOFFROY: Tom Geoffroy with Chesapeake Utilities.

This is one of the -- a good example of some of the operational issues to me. I'm not sure how you could even consider shutting the customer off because how would you know which one to shut off if the marketer's gas doesn't show up? What administrative burden is there in us knowing what every one of our customers -- who their marketer is, number one.

And then number two, if only some of the gas shows up, who are we to make the decision which customers get shut off. And then you got the additional cost of going -- actually going out there and shutting them off and then getting service reestablished when gas does show up again. Is that the next day? Is that the -- is that an intraday nomination that the marketer could make? I don't really see an option of shutting off a customer if the gas doesn't show up.

I think the option is that the utility would have to -- somehow the flow of gas will occur anyway because we're not going to necessarily know about it to begin with. So -- but that's just one of the other operational issues.

A good example of operational issues that I referred to earlier that we're struggling with is to how we are going to be -- how we're going to provide these services under transportation.

MS. BULECZA-BANKS: We don't envision that you would go off and shut off most of these. You don't do it today. That's what's happening. And ideally what we're telling, though, is that you have the option -- it is stated clearly in there -- that's something the customer needs to know; that he will risk going to transportation; that he can be disconnected if his marketer does not put the supply on that needs to be on. It's providing you an option.

Now, whether you take advantage of that option is solely up to the company, because a lot of times a trip charge and doing that and the ill will that would transpire because of that will obviously not be worth it. But again, what we're trying to do is provide you the opportunities and the tools to do what you think to do.

If I told you -- if I wrote in this rule you couldn't disconnect them, boy, you'd really jump all over me because I haven't given you the opportunity to do that. I'm giving you the opportunity. Whether you choose to do that is truly the company's own initiative of what works.

But if you've got -- and I mean, I've seen this too. If you've got a stubborn customer who's not cutting off when they're suppose to be, especially in curtailment and interruptible position situations, you may physically have to go out there and do that as much as it may cost you.

But if you're going to sit there and try to -- then you think, well, gosh, is this guy going to pay the penalties I'm going to be assessed because he's violating an OFO order that I issued? I mean, at least you have the tool available regardless if you can use it or not but there may be situations where you need to have that available for use and that's truly why we put that in there. Because, in talking with all the utilities before, they said, you know, there is just -- "we're not going to go shut off a small commercial customer. It will cost more than it's actually worth."

But again, on any kind of curtailment thing, I mean, you're right. That if you -- when you all do all your noms and FCT doesn't have enough capacity on line to supply it, you're prorated. Now, those are agreements that will have to be addressed. And the marketer thing is something that I'm sure you do now. But if you've got a marketer and he's got three guys on and he can't get all the supply on, I think that needs to be, obviously, stated somewhere that you go a third, a third, a third, or this is my prime customer with the majority supply. He gets two-thirds and everybody else gets a third, or whatever the arrangement is. That's something that will have to be specified when you make up these things.

Now, it's different. I mean, it's hard -- I mean, for people who have actually been working with a lot of different marketers I think they're used to this. If you're used to just working with one or an affiliate, it's a little bit different, because you're not used to -- you can make those decisions because essentially they are your customers and you're going to have to do that. It's when you start making decisions for people who aren't your marketers that you're going to have to specify that somewhere.

MR. MAKIN: We didn't think the rule was the appropriate place to put all of this language. We could have a gone back and dissected the model tariff and made the rule just painstakingly hard to administer. And we just didn't see that. We thought it was more advantageous for you to put -- you do the work and put it in your tariff. But this is kind of like a snapshot of what we want to see.

MS. PENNINO: Well, and again, Peoples appreciates that flexibility incorporated into the rule. I really feel like that's the only way it could possible work.

Point of clarification on the same paragraph. The use of transportation, or the statement that the utility is responsible for transportation, you are referring to after it reaches the city gate; that, really, it's distribution that we're talking about?

MR. MAKIN: Yes.

MS. PENNINO: That there is no -- no assumption of any capacity being held by the utility. And what is your thinking on supplier of last resort and obligation to serve as it relates to the rule?

MS. BULECZA-BANKS: You have an obligation to transport.

MS. PENNINO: To distribute it our system, on our distribution system?

MS. BULECZA-BANKS: If the gas arrives, you have to transport that gas.

MS. PENNINO: Okay.

MR. MAKIN: Maybe we should clarify transport, you know. On the distribution system, not upstream. That's not your job.

MS. BULECZA-BANKS: I guess that, for us, that seems intuitive because we don't have any jurisdiction or anything about upstream. So I guess, from our perspective we're just doing this one within the rule. But if there's any points that you think add clarification by doing that, you know, certainly put them in your comments because, you know, those are -- if it helps you, I mean, and it's a point of clarification of what it represents is distribution or downstream of the meter or downstream of the gate or whatever you want to say, I don't -- we don't have any problems with clarifying so everybody is more comfortable.

MR. MAKIN: Okay. I think (b) is currently what is being followed by all the utilities. I think the only thing that's different there, I think we put in -- I think it's phone number. I think Mary Anne put that in as the phone number of the broker. But that's exactly what you're doing now.

Let's see. Where are we? (c). Where did we pick that up from?

MS. BULECZA-BANKS: That is merely because that's the information that the utility has available and that the customer should be entitled to. I mean --

MR. MAKIN: And I think Peoples provides that information.

MS. PENNINO: I think our only concern related to that was just how onerous that task might become as we expand this to more customers. And should it necessarily be the responsibility of the utility to seek out that -- that notarized statement, or should it be that the customer needs to provide whatever the level of -- what's the word I want? Whether it's just a signature or whether, in fact, the notarization is something that the utility needs, and should that be up to the utility to decide or not. We're just concerned about the -- how onerous that might become.

MS. BULECZA-BANKS: I think we're gun shy because of all the slamming and cramming and jamming and everything else; that we just kind of wanted to be able to have some kind of sense of comfort that the person who requested it was really the person who is requesting it. That was it on that one. If that's, you know, we thought that would provide a level of comfort.

One point that I do want, that when we wrote the rule there's several different things that we have to consider, and one of the things, if you look in some of the rules, there are things that impose requirements on the customer. And we can't do that. All our imposition has to be on you. Some of our old rules say that the customer has to provide a safe place for the meter and this, that and the other. Those rules really need to be revised that says the company has to request of the customer, and have that within your tariff.

Those are some of the issues that when we reworded this, it appears that we're putting a burden on you only because we can't do it on the side of the customer of requiring. That's why it says, you know, you need to obtain this. But it mostly was to cover you from anybody who was making false statements over the phone.

Now, you know, again, this is evolutionary. I have calls that people do this. They allow them to change over the phone. No even fax confirmations. And they're asking the other states. They're saying, "Well, what are you all doing?" I said, "Oh, well, they have to file 50 pages worth of documents and, you know, have an attorney present when they sign." I mean, for them they're doing this over the phone and I'm a little gun-shy about that right now. But we haven't had the exposure, you know. And -- but that's something that the reason why you see maybe sometimes where it says the utility versus. We wish we could say to the customer, you need to -- if you want it, you need to do this, but we can't.

MR. MAKIN: Okay. And the last one is just treat everybody the same. That's all. We're big on that. But like Cheryl said, you know, when you file your comments on this, we'll look at it. We'll consider that maybe we're not the best rule writers in the world, but your input is helpful.

MS. PENNINO: Okay. I wanted to make sure that we kind of covered all the clarification points in the rule.

Let me just make kind of a broad statement that would give you a sense of where Peoples is with this.

We, in general, question the need for a rule given that we're not precluded from unbundling at this point. And we see the rule as your opportunity to require the utilities to move faster and understand, based on some of this discussion, where you're coming from as far as that goes.

And I guess what we would recommend is a modification to the rule that would -- instead of mandating a date certain for all utilities to unbundle, and keeping with the "one size does not fit all," we would suggest a modification of this rule similar to what was done in the conservation goals docket to where it simply states that the utilities need to let us know what they're going to do, and by this day there will be a plan filed, and the plan will address unbundling through the nonresidential level. And it's a plan that the Commission would need to approve.

And I state that really as a -- more as a fallback position because first and foremost, we really don't think the rule is necessary. I don't hold a great deal of hope that you guys are going to flick on your microphones right now and say, "You're right, Mary Jo. Let's all go home." And so that's why we put this other middle grounds there that we feel like would be -- would address, in large part, many of the concerns that have been presented today.

But that you would have a chance to see specifically what we're going to do. And there would be some teeth in that because there would be a rule so it's not just, you know, wait and see when your whim decides to bring you in here to tell us something, it would be a very specific plan. And that the Commissioners would have a chance to consider as well what the plan is and all the implications to all the stakeholders.

MR. MAKIN: And you're absolutely right, Mary Jo. We would not need a rule if, back during all the workshops where everybody agreed that it was a good idea, it was a bad idea and what we discussed, had everybody moved forward similar to what you're doing and go beyond that to open up to nonresidential, we wouldn't need this rule. Because we don't have a rule now that talks about your transportation or anybody's transportation. So -- because the lack thereof is the reason we wrote the rule.

MS. BULECZA-BANKS: Mary Jo, what I would urge you and Peoples to do, if that is their fallback position, is this. And here's my only concern.

If we had something that you had to file a plan by -- and I'm not necessarily opposed to that idea. What my fear was that -- is that, okay, you filed the plan just as it says in the rule. And the plan says I'm not going to do anything and get this done until 2010. And that's my fear. Because when you leave it open-ended like that, and you just have to follow the plan whatever it is, and it says, "Okay, well, I'm going to get there and in the first six years I'm going to accept 25 customers first come, first serve," and you leave it open-ended like that, it doesn't get me where I want to go.

And I am -- I think we've dragged our feet long enough. And that's my concern. And unless somebody can promise me that they will have a plan that will have it implemented that includes an implementation date of "x" down at this level, then I don't think so. Because that doesn't help me out if the date is four to five years away or maybe -- I mean, and I don't know in my mind what's reasonable. Is 12 more months reasonable? Maybe. Then when you get to 18, I really have problems with it. You know, I can't -- I don't have a feel for it and I guess because, unless you tell me within the rule the way it says I'm going to specify a plan that says I will have it implemented by "x" date that I can live with, that doesn't help me. That just stalls it another six years. That's my only concern.

MS. PENNINO: Well, and I think that actually that's the beauty of requiring a plan to be filed.

In the conservation goals docket the utilities weren't allowed to come in and say, "Oh, we're not going to conserve. We're not going to file anything." They had to do it. And the Commission had to decide whether or not that was with the intent of FECA and was in line with what the rule had contemplated. And -- so what I'm suggesting is that you have all the opportunity to make a utility-specific decision in the filing process.

In other words, if a utility files a plan that takes it -- that doesn't have good justification for its timing -- in other words, if it comes in and says, "we will do it ten years from now because we're not going to have our systems in place." You can get a system in place in ten years and that's not a valid reason.

If the utility comes in and says, "Oh, I don't know. I've got a real concern about my captive customers on my PGA, and over the first year I'm going to open it up 50 % and I'm going to see what the effect is, and then I'm going to open up the other" or whatever. You know, whatever the plan might be. I believe that that process gives you the opportunity to say this isn't going to get it. And it lays the arguments out in front of the Commissioners for them to decide if it's an appropriate unbundling plan or not.

My thought is that you would still have significant amount of control over the outcome through the process.

MS. BULECZA-BANKS: And I might agree with you to some extent; but the way it's been lately, that any move by the utility is thought of as a positive move. So regardless of whether I thought it was far enough, basically it would only harm customers to deny an approval of the petition.

So what happens in those cases is that if you offer something, and it may be something so minute but in the right direction, you're ideally -- we're tied to say yes, this is what we need to do. It's another small step. And there is nothing out there that is saying that have you to do it. And again, it ends up stalling the process. And that's where my concerns lie.

You're right. We can look through your petition and we can say, "Oh, gosh, it really doesn't go and it's not fast enough." And you know that when we get before the Commission and we say, "Yeah, it's moving but it's so slow." And say, "Well, at least they're doing something." That's not good enough for us. And that's my concern. Because when you leave something like that open-ended, it can go -- you basically have boxed us into accepting something that moves in the right direction, albeit a small one. And that's I don't -- I'm uncomfortable with right now.

MS. PENNINO: Well, I guess, what I'd like to do is hear from some of the other folks as well on their reaction to that proposal and encourage you all to just think through some ways to perhaps make something like that work, if it's some wording in the rule that lays out a date and, you know, all nonresidential by whatever date. I think that removes some of the flexibility that may be needed by the utilities. But, I guess, I'd just as soon see some middle grounds versus the way it is right now and I'd really like to hear the reactions from others on that as well.

MR. MAKIN: Let's take about a five minute break for our court reporter.

(Brief recess taken.)

MR. MAKIN: If we could continue with Peoples Gas. Mary Jo, if we could continue on with some of your comments. I think I kind of cut you short on that break.

MS. PENNINO: I think we're probably done with our comments.

We just -- again, I'd like to hear -- I don't want to presume that what I'm suggesting from Peoples is something that would be satisfactory to anybody, but I would like to see if we can -- if there is any consensus whatsoever with that approach, recognizing you all's concerns.

MR. MAKIN: Okay.

MS. PENNINO: Short of that, we're done.

MR. MAKIN: All right. I would like, however, to hear from the marketers that are here and also from DMS that is here. If you would come up to the microphone and remember to identify yourselves for the court reporter. And I think I would like to start to my left with DMS.

MR. GILDERSLEEVE: Are we going to get a break for lunch? (Laughter.) That will have a bearing on how much people talk, I'm sure.

MR. MAKIN: Well, if you talk quickly, we could probably be finished by noon.

MR. GILDERSLEEVE: My name is Tom Gildersleeve. I'm with PLM Technologies and do consultant service for Department of Management Services, and we want just a brief statement for the record.

DMS has been working with most every LDC that's represented here, and to some degree a success in various places. We really do appreciate what Peoples and City Gas is in the process of doing.

The proposal that the Commission has put forth in writing we certainly agree with. It sounds like there's some fine-tuning that's needed based on the comments that we've heard so far this morning. But there are a number of state facilities that wouldn't normally have an opportunity to take natural gas service through the Florida Natural Gas Procurement Program if the thresholds were lowered slightly in some instances, or if there was aggregation in other instances. And we surely look forward to whatever the outcome would be from this that would move it in that direction.

MR. MAKIN: Tom, is there any idea, just ballpark figure, the type of money the State is saving by going to natural gas as opposed to the alternate capabilities?

MR. GILDERSLEEVE: I'm having a senior moment with regard to that number. It's not flowing out. But let me just think a moment. And Kay might want to hold up her fingers in term of millions or something. I don't know.

Honestly, I don't have a number with me. But there's a significant savings, enough that the program wants to move forward. And when the number of potential state facilities are added up and identified that might come on the program, then the savings are very dramatic.

MR. MAKIN: It's enough to cover a pay raise for me? (Laughter)

MR. GILDERSLEEVE: I don't know if we can spread it that far.

MR. MAKIN: How many facilities, Tom, does the State have that either is under the transportation program or the potential?

MR. GILDERSLEEVE: Well, let me just say the ones that are under the program or they're in the process of working, in the neighborhood of 100, 150. But I don't want to scare people in the room, if -- and let me say that there's so many places that we surely don't go ask anybody if they want to be a part of it. They knock on the door and say, "we've read what the statute says and we would like to participate in the Natural Gas Procurement Program, because -- or at least investigate to be sure there is savings."

And those rules and regulations, the statutes indicate that governmental entities would be eligible. And where does that take us? Of course, it takes us down to a gas consumption level that's much smaller than any of the thresholds, so aggregation would have to come into play before those things could take place, which would include schools, for example, which we're working on with Peoples right now. And if you add all the schools together, there could be 5,000 or 6,000 customers total. Many, many. If you back off into the larger commercial size loads, you know, there may be a thousand or two.

MR. MAKIN: That's significant. Thank you. Alan?

MR. RICHARDS: Good morning. My name is Alan Richards. I'm the vice-president of marketing for End Users Natural Gas.

We're based in Houston, Texas, and we've been delivering natural gas from our portfolio of production since 1986. Primarily it started up in the northeast due to the collapse in the oil price whereby local gas companies were forced to transport to industrials at a necessity for their own survival as opposed to offering customer choice voluntarily.

I think what I'd like to say is that the market has advanced to maturity in many areas. Not only are we seeing customer choice on firm commercials, but it's gone all the way to the residentials, and with the unbundling and aggregation which has occurred in natural gas, it's been the model for electric. And we see legislation that's probably going to be enacted on the federal level in the not to distant future, which is going to put further pressure on those distributors, and i.e., states that haven't unbundled to allow customer choice.

I hear a lot of distributors that are very much afraid of change. I hear administrative problems. I hear capacity procurement burdens. And these are very legitimate concerns that they have. And I might say that if you don't look at your customers' needs first and put them first and foremost, then your needs eventually are going to become secondary to their needs.

This market is screaming for choice. This market is screaming for innovation, and that is going to occur. Irregardless of what happens, eventually we are going to see the freedom of choice by the ultimate consumer to bring about terms and conditions that meet their needs, and we can either answer the call of the customers now, or we can have the market down the road do it in a way which may be painful.

I think that Florida has a little bit to go relative to other states, and I feel that it's because of the fear of change. First off, administratively, if you're not meeting GISBE standards now and you're not Y2K compliant now, come January 1st, you may have some real problems; legal problems, administrative problems. Administrative problems that are going to -- it could be a mess.

I think it's an opportunity with capacity being rolled over or terminated, or what have you, in conjunction with Y2K, that enterprise resource solutions be promoted internally within the utilities now rather than later for two primary reasons. One is that if it is a solution which is Y2K compliant and certified and implemented by the vendor to meet Y2K compliance with a third-party certificate, then it absolves potential liabilities if problems happen on January 1st.

In addition, these solutions marry the front-end office and the transaction intensive nature of transportation and the administration of such, along with the back-end procurement of the product and the service, and ultimately report to the general ledger.

This information can be assessed by the customer, and a lot of them are moving now towards the Internet and providing host services and so on and so forth. Their costs, relative to where they were as little as two years ago, have come down, and it would, in my view, appear to be most reasonable.

So as far as being able to address the administrative problem of unbundling, those solutions on a network enterprise, which reports to the general ledger and allows ancillary services such as hedging and nominations and so on and so forth with GISBE standards across the secure Internet tunnel, are there now.

The solutions would assure customer migration in a relatively efficient low cost manner, and they also solve the Y2K compliance potential problem and the litigation that may occur if the utility systems were to fail come January 1st.

On another subject, and in regards to the change being painful, and I address this to the smaller utilities that are afraid. As long as the margin for the distribution function is protected and the franchise for that particular area is protected by the Commission, it's my view, from experience with distributors who have gone through the unbundling process, that it was a win-win situation for them.

If they are forced, such as Connecticut did when they first unbundled to small commercials, and say, you will deal with the capacity issues yourself. There will be no relief. You will give us a tariff in complying with this rule on such-and-such date. And we then, when you bring your proposed tariff to us, will determine whether it is just and reasonable and prudent and we will deny or disallow that. And they took a firm stance in their position towards unbundling and really forced the utilities to go forward. I found that the New York Public Service Commission gave a drop-dead date of three years on their capacity; that after that period of time they will have to deal with that capacity, and it comes off April 1st. And it has really been a tough situation for the New York utilities to be forced into unbundling in certain periods of time.

And then you take a look at distributors that said, "if I can get out of the merchant function, or I can remove myself from the merchant function and the prudency of PGA procurement, and if I wasn't prudent in purchasing capacity or imprudent in purchasing supply, then maybe this would be disallowed somehow and that would fall back on me, whereby I can maintain my margin and my revenues and reduce the risk on an imprudent purchase for capacity and for supply and maintain my franchise" -- and in some states it's exclusive, in others it's not exclusive -- "then what do I have to lose besides an administrative burden?"

If the distributor is very fearful of competition cross-border between and by other utilities, and they're afraid of capacity issues, whereas, if we do not procure this capacity or maintain or roll over this capacity in the future, that maybe one of our competitors can come in there and scoop up this capacity, and the reason for not unbundling is because of that, there could be some remedies that the Commission and the utility can -- the stakeholders can come together with which will arrest those fears. In particular, if during a certain period of time during a transition the capacity was rolled over and the migrating customer took that capacity with them at the cost incurred by the distributor at the time of procurement, and the customer were to close or come back as an on-system supply under the previous tariff, then that capacity would migrate back to the local distribution company, may, in fact, arrest some of the fears that the utility may have in offering unbundling.

But if the change doesn't occur and the customer is not -- needs are not serviced, then the market is going to find a way to service it. Whether it be the Commission saying at some point in time -- politically if it becomes popular or whatever -- everybody else is unbundled. Their customers have choice. We do not. There are things that can be done politically to make it very palatable to actually jeopardize a non-exclusive franchise. Open season. Bringing new pipe in. Having a situation where in addition to that interstate transportation, distribution functions which could be certificated on a relatively quick basis by the State. These things are -- can be politically popular.

However, if you take a look at the situation from the customer itself -- and the true monopoly function is the transportation and the movement of gas, and not the merchant function, and the system is unbundled in such a way where the stakeholders are protected, their margins are protected, and the customer has ultimate choice and can reduce those costs, then it can be done in a way where you are lowering the system costs, the distribution costs of all on-system customers, whereas opposed to if you run adjacent pipe in some areas that we're seeing in the country and taps being run where interstate pipelines have to provide for that bypass, then the bypass customer that goes off system, off transportation, or off-system sale, that increases the unit cost for the on-system customers. And that is a bad thing.

But if you can provide for a framework where you can maximize the throughput and lower the unit costs of all, but still provide customer choice where they have the ability to marry their particular needs to the products and services that are available, then all parties benefit.

And if the distributor realizes that, yes, we're going to have to change whether we like it or not because the market is changing and the customer is driving these changes and we can maintain our franchise at the revenue neutrality and protect those margins, then it means administrative burden. And if it means just a small administrative burden on the distributor to offer them choice, then they better do it and they better do it quick, because there are some big, low capital cost suppliers out there that are looking for markets, and they are going to come in one way or another and offer those choices.

So I really believe that you've got an opportunity here now. You have waited and it seems that there has been a lot of patience upon Staff, the Commission and the distributors to forestall the unbundling process. But if you look at where you are now relative to other states and local distribution companies, I think now is the time to go forward on it.

MS. BULECZA-BANKS: Do you have any specific comments on the rule itself?

MR. RICHARDS: Yeah, I do. I -- with all the areas that we have involved with with customer choice on the industrial and the commercial unbundling, there was only one distributor where we had to notarize the local distribution paperwork, and it really became a burden on the customer.

If there are sufficient protections and penalties that are placed on the marketer -- and these can be incorporated in reliability. If you fail to perform -- then we are going to attach your security. If you slam these customers, then we are going to attack your security, you will pay for this -- then I think you can get the customer protection that you want, that when they make that choice, it is their choice and their choice only. You don't have to put them through the burden of notarization.

MR. MAKIN: Okay. Thank you Alan.

MR. RICHARDS: Thank you.

MR. MAKIN: Sonat?

MS. McABEE: Is this on? I'm Myra McAbee with Sonat Marketing Company.

For those of you not familiar with us, we've been in the marketing business since 1985; started out as a regional marketer in the southeast, and we've now expanded to the point that we are marketing gas all over the United States east of the Rockies. We didn't start marketing gas in Florida until the fall of 1997. And the reason we came today is we want to learn more about the Florida market.

But having said that, we are a marketer, and we are interested in competition here as well as other places. We think competition is good. We think it makes us more efficient and more innovative, and we think it's good for the customers.

We support the rule generally. We think the -- what's the expression -- the devil is in the details, and we think the tariffs are where we will really get into the details of making it workable.

I guess, finally, we believe it's going to take a cooperative effort during those tariff processes between all the parties, the LDCs, the customer groups, the marketers, Staff; everybody is going to have to work together for a smooth transition, but we think it can happen.

I only have a couple of comments on the rule itself, and those relate to Paragraph (2)(b). People back in Birmingham may kill me for taking this position, but it sort of goes along with a comment Peoples made on the obtaining of the statement from the customers.

I don't think it's unreasonable to require the marketer, broker, agent, whatever, to obtain the statement and to provide it to the LDC rather than putting the burden on the LDC to obtain the statement.

Having said that, I think the fact that you want it to be notarized makes it a very cumbersome process that's just not practical in these days of fax machines and e-mailing, and we've had a lot of experience behind Atlanta Gas Light and their unbundling, and it is very difficult to get all of these sorts of forms from the customers, and when you're relying on mail as opposed to fax machines, it's difficult enough, but a lot of customers just don't have notaries available. It puts a burden on the customers, as well as the marketers, as well as the LDC. So I prefer not having to deal with a notary for the process.

MS. BULECZA-BANKS: I have one comment, that you said that it would be, you know, an option for the marketer to get the statement from the customer.

And, I really -- while it doesn't state it in the rule, it doesn't matter to me if the utility gets a statement from you that the customer sign or directly from the customer, and maybe we can make that clear. But I can't impose anything upon a marketer because we have no jurisdiction over a marketer. So I can't say that the marketer -- you know, but we could probably change some wording in the rule such that -- you know, obtain from the customer or his author -- well, it's hard to say you're getting an authorized broker if this is a statement authorizing -- but, I mean, I guess some wording could be changed so that they can get it from you, even though it's a customer statement. But that's a good point.

MS. McABEE: You may not need to change the rule, but when you start looking at the tariffs -- that you can't control what the marketer does, I guess, except indirectly, but what the LDC requires through its tariff you have control over.

MR. MAKIN: How many customers do you currently have in Florida?

MS. McABEE: This is Heather Stubblefield from our Florida team.

MS. STUBBLEFIELD: We do not have a large industrial base in Florida. We deal mostly with the large utilities. So probably in the neighborhood of 10 to 20 on a monthly basis back and forth.

MR. MAKIN: Did you participate in Peoples Gas FTA program?

MS. STUBBLEFIELD: No, we did not.

MR. MAKIN: Okay.

MS. STUBBLEFIELD: But, again, we are fairly new to the Florida market.

MR. MAKIN: Were you made aware of Peoples Gas FTA program?

MS. STUBBLEFIELD: We did not get any notification of that.

MR. MAKIN: Okay.

MS. BULECZA-BANKS: Is there anyone still connected telephonically with us that would like to speak?

MR. MAKIN: Holly Brubaker, are you there?

MS. BRUBAKER: Yes. Can you hear me, Wayne?

MR. MAKIN: I can hear you.

MS. BRUBAKER: Pardon?

MR. MAKIN: I can hear you.

MS. BRUBAKER: Great. I would just like to -- this is Holly Brubaker with Texas Ohio Gas e'prime.

And I would just like to concur with what the other marketers said on the notary part of the rule, that I think that would be very cumbersome and really not -- not -- I think that should be changed and not be a -- have to be implemented.

But -- and then we are committed to the proposal, to the rule, and feel like it will just open up choice and give savings to the customer and be better for the state of business in Florida. Generally it will be a good thing. So that's all I have to say.

MR. MAKIN: Okay. Thank you. Keith, are you still on the line?

MR. SAPPENFIELD: Yes, I'm still here.

MR. MAKIN: Would you like to say something?

MR. SAPPENFIELD: Well, I would also like to reiterate what I think all the marketers have said about the notary provision.

MR. MAKIN: Keith, would you identify yourself please?

MR. SAPPENFIELD: This is Keith Sappenfield, director of marketing support for Reliant Energy Retail in Houston, Texas.

We are not participating in the Peoples Gas transport program at this time. But, in other jurisdictions the acknowledgement of the customer that identifies or that he has signed a deal with the marketer has been by written contract, by telephonic enrollment where there's actually a recording made, and there's even proposals in Ohio now that a customer can sign up over the Internet.

But the notary, when we have run into this requirement, has been very burdensome, and as in some cases, even causes the customer just to not choose because it was so burdensome for him to get a notary.

But I have to agree with the first speaker of End User Natural Gas regarding -- we need a date certain for this program to start, rather than just leave it up to, you know, some future when things are right.

Also, we endorse the model terms and conditions, especially when there is statewide uniform business rules. And I believe the gentleman recognized that there is standards of transferring information between the parties, which is actually a requirement to actually make this thing work.

And then when we define the customers who are eligible, I also think that the -- for some of the reasons that I think the Staff said, that we need to make them all the same, pick a threshold, whether it's all nonresidential or nonresidential of a certain volumetric. That just helps the program be better defined and reduces confusion.

And that's pretty much it. We support the rule and look forward to coming into Florida.

MR. MAKIN: All right. Sounds good. Paul Goldberg, are you still there?

MS. BRUBAKER: He had to leave, Wayne, so he's not with us.

MR. MAKIN: Okay. Thanks. Anybody else? Mark Schneidermann. I knew that.

MR. SCHNEIDERMANN: Marc Schneidermann, Florida Public Utilities.

Wayne, I would just like to get some clarification on some things that aren't exactly part of the rule. But what is the Staff's position on utilities or LDCs maintaining capacity or leasing capacity for the unbundled market?

MS. BULECZA-BANKS: That will be something that you need to put in your tariff and we'll evaluate. And the reason why is, again, each utility's position is different.

What we're trying to do is do this quick enough so that you can consider that, how the program is out there, so you could see what the marketers were going to take, so you could reduce the amount of the investment you had to make in the capacity.

The concern is, is that -- I can turn my head around 180 degrees, I can argue each side of this very good, so much that I can't get a handle on -- it's not going to be one-fix-all.

I mean, I can say that I see where New York said you have to take the capacity with you and then nothing happened. And now they're at the point where they're saying, we gave you that, you know, too bad.

But I'll tell you where I do have a problem. When you let all -- when a lot of the LDCs let the big customers go, they didn't have the obligation to take any capacity with them, and they reaped those benefits. And what I see now is that now we're trying to change that around for all the smaller class customers that says, yes, you need to take that capacity with you.

Now, these are the people who haven't

benefited from any of the problem yet. They've been subsidizing it. Because just like you said, there's additional cost involved. Guess who's been picking those up? Everybody.

The rates haven't been changed. When you started figuring out really where the costs went and what was involved in transporting, those costs have incrementally been added year after year, but they're spread across everybody, essentially, in developing your return. And that there's a lot of costs that the large customers aren't bearing, and they haven't, because the rates haven't been changed to incorporate those additional costs.

Now, at the same time when you're saying, okay, well, if you're going to force me to do this, which I don't want to do, that customer has to take his capacity with him. And, I'll just say this. I would not be opposed to some kind of realignment charge that is spread to everyone. Not just the small commercial -- not just anybody who's left, but everybody who's benefited from this from the beginning.

And I understand the competitive nature and that one cent makes a make difference or a tenth of a cent makes a big difference if somebody is going to leave the system and go to some other deal they got from an alternative energy provider, and I'm sympathetic to that. But those customers have benefited at the sake of the small ones who have been left.

Then you can go into the argument that, well, those large customers have subsidized that small customer for many, many, many, many years, and that is true too. And I give you that because a lot of the returns those small classes make are negative. But then you also have a lot who have a small commercial class whose returns have been 25% and greater too. And yet those are the ones who will probably be socked more if you have them take it with you if they have an opportunity outside.

So I can argue both ways. I don't -- if something has to be reasonable that works for your system -- and we try doing different things. Even when we tried, like, figuring out, well if we did some -- like an alignment charge, that basically was saying everybody on the system has benefited from the opportunity to transport, so, everybody should, you know, share in those costs from the time that the LDC began to be able to buy its gas on its own without having to buy from the pipeline.

And I think that a very strong argument can be made, as we saw at FERC, as was upheld by the District Court of Appeals. I mean, they upheld that argument that FERC made that everybody benefited from it and everybody should pay, and that was upheld. And I think there's a strong argument that could be argued for that point, so that everybody is coming up to the table and paying their little incremental share.

But when we tried to figure out, well, if we did it for this company, what would be the amount and what would be the difference and could they handle that and -- you know, it's going to depend on the company. Some of it, it was -- it wouldn't work. It would not work. And some other companies it would be okay.

So, again, we're going to be open to something that you suggest. I've seen where you take -- you know, you can take 50% of the capacity that I currently hold for you and you can buy 50% on the open market; 25, 75, all of it, none of it. I mean, I've seen everything on the gamut, and it's going to -- each proposal will have to be evaluated on those merits, because, honestly, I -- I mean, part of me says they shouldn't have to take none of it because you didn't make the big guys take any of it, so why should they be stuck on the end.

But then it's like, well, it's going to come to bite them anyway, because whatever is left over they're going to end up somehow footing the bill later in base rates if all -- some things start to go down. So, I mean, I wish there was a simple answer. If it was a simple answer, I probably would have forced this on you four years ago. But there isn't, and I'm sympathetic to that. But, I'm sure there's a way to do it because enough companies have already done it.

MR. SCHNEIDERMANN: Okay. I just wanted to make sure you're open to suggestions when we -- to present our proposals.

MR. MAKIN: What I'd like to see, maybe a 15 -- I'm just picking a number out of air -- a 15, 18% reserve margin and take the rest of that capacity and give it back to the pipeline, because the pipeline will take and use it for electric generation, and buy any excess you need off the secondary market.

But, yeah, I can see something for growth, but I don't know what that number is.

MR. SCHNEIDERMANN: We'll have to study that. And also the concern I have is the timing with turning back capacity to the pipeline.

MS. BULECZA-BANKS: That's why this stall is so critical to us, because we wanted to do it. You know, we thought, gosh, if we could tie it to there, we could get stranded capacity down to minimal, because you already have decided and know what the playing field is, and be able to minimize that greatly.

But the longer we stalled it and we keep stalling it, the longer your arguments are going to be, "Well, gosh, we've got all this capacity we had to ante up for because we have an obligation to serve, and so, sorry, guys." And that's when things start to get sticky.

Wayne, did you have a comment?

MR. SCHIEFELBEIN: I had a question, but I think I'll defer at this point to Mary Jo. I think she might be on point.

MR. MAKIN: If you would identify yourself. You're speaking.

MR. SCHIEFELBEIN: Wayne Schiefelbein. And I defer to Mary Jo.

MS. PENNINO: Mary Jo Pennino with Peoples. I don't know if my comment is on point, so thanks for allowing me to speak.

Wayne, I just wanted to clarify your thought. You're talking about a reserve margin based on what native load, or what load left -- in other words, how can you predict what captive load you'll have? What are your thoughts?

MR. MAKIN: I don't know. I'm looking on historical growth patterns, and if we're choosing nonparticipants, as we are in this case, of just residential, that was something you could formulate based on history and based on projections, and you did a pretty good job on that.

I don't know what it's been in the past. Notwithstanding the large industrial growth, because any capacity that you've bought I think you've bought, like your FTS2, primarily for growth. And that growth is primarily due to small commercial and residential. Obviously under the transportation agreements that you have the large customers are on their own. So you don't have to worry about that. I'm sure it's not part of your calculation.

But I would think that the growth of Peoples Gas, residentially, may be in the 10 to 15% range. I don't know for sure. I'm off the top of my head from what I've read thus far and increase in customers over the years.

Notwithstanding the purchases that you've made of those utilities, but --

MS. PENNINO: Certainly one of the largest challenges as it comes to capacity, and certainly as it relates to decisions on turn back this year, is a very difficult time predicting, even if your programs are wide open, what penetration you actually might realize. And so I was curious as to what your thinking was as far as in anticipation of how much capacity you actually might want to hold should you decide to --

MS. BULECZA-BANKS: That is going to be the utility's decision. I mean, we sure can't tell you what is going to work for you. You've done it for years and years and years. It's kind of like having your reserve margin there. Whatever is going to work for your company. And you know what your peak days are and how the system has been operating over the years. I mean, it's the same kind of thing that FGT went through trying to determine, you know, what does it need, you know, or can it hold anything and then the arguments are, it cannot hold anything at all for system integrity.

I mean, there is a lot of questions that, I mean, you have to -- but you have to do that anyway. Just like when you're doing now, going through what do you have to ante up for FGT, even if the system was totally closed, you still have a lot of projections that you have to do for growth and who you're going to get and talk with your division managers and see what customers are available, what new subdivisions, what growth areas and make those decisions now. I mean, I don't know what the penetration rate is going to be for small commercial customers. You know, you may want to look around the country and see what has happened there and what is the percentage. Is it 20%? 30%? It's also based on how aggressive the marketing force is. People haven't been in Florida a lot. Why? Because there's no opportunity down here for them of which to work with.

I mean, you know, so it's a cart before the horse thing too. Because, you know, if you open, they will come and we know that. So then once you say, once they become aggressive, are those numbers going to change?

And it also depends on the educational programs that are available, you know. I'm sure that we envision making a brochure from the Commission that says, you know, what is it? What is transportation? What is available? And what to do. You're going to have to have something like that. I assume the company often will put something in there too.

MS. PENNINO: Clearly, lots of unknowns. And I would throw one other out there that the outcome of the FERC, NOPR and NOI also presents some challenges as you try to consider what you ultimately might like to do with your capacity.

MS. BULECZA-BANKS: Actually, it could lead a lot more flexibility, and even depending on what the outcome is, can even benefit it even more.

But I guess the problem is we keep standing behind the unknowns. "Well, what about this?" "Well, we don't know. We don't know." Well, somebody's got to go forward and figure it out one day. If we keep hiding behind that mentality that it won't work -- and I've said this before. Whenever a new idea is proposed and thrown out on the table in a meeting, you can have 90% of the representatives tell you 52 reasons why that proposal won't work. But you have very few who will sit there and evaluate the merits of the proposal and see just what can be accomplished.

I know that the majority of you failed to believe this, but I think that if you unbundle it is in the best interest of your company. You're going to need to do this. If you do not give the people the choice, they are gonna either leave your area, leave the state, close down or find some other opportunity.

It's when -- when you see it's available to everybody around the country and you can't do it yourself?

I mean, we hear the pleadings from Laundromats all the time. "God, if I could only run all my dryers and water heaters on gas and buy my own supply. I want to do that. I want to do that." I mean, we hear this. We hear this time after time. I hear the pleas of these people who just want to get an opportunity. And you're precluding them from doing that for reasons I can't really even fathom. Because whatever you lose as costs can be made up if you cost it properly and put the costs where they should be and you should be out nothing. You should be out nothing. You should only be able to reap, especially if you have an affiliate who's picking these up and can make the margin on that side, that is, that you can be as profitable as you want.

MR. SCHIEFELBEIN: If I might interject a question. It's somewhat off point. Wayne Schiefelbein, Ruden McClosky here in Tallahassee.

I just wonder how far along Staff has come as far as what their plans are for preparation of a statement of estimated regulatory costs, which is -- generally accompanies a rulemaking.

MS. HELTON: Craig Hewitt is the economist assigned to this, and looks like I don't see him in the room so I can't speak for him there. We will prepare -- he will prepare either a SERC or a statement after we have reached what we call internally a consensus draft which would be the draft that will result from this workshop if we incorporate any changes suggested by you. But whether -- are you trying to get at whether he's going to do a data request or --

MR. SCHIEFELBEIN: I'm looking at learning whatever I can about what your plans are for a SERC as far as timing, whether one will be done. And I understand that perhaps some of those decisions haven't been made yet.

MS. HELTON: No. They haven't been made yet.

MR. SCHIEFELBEIN: Fair enough.

MS. BULECZA-BANKS: Yes.

MR. RICHARDS: This is Alan Richards with End Users Natural Gas.

If I may, I'd like to make a rebuttal to Keith's comment with Reliant in that they support the rule but they would look at some threshold which would be agreeable to the stakeholders.

Right now I think that there's been --

there's some problems in the FTA program and its implementation. We are a part and a pool manager in that program in that we're having discriminatory access. For open access contract carriage to work where we're protecting the monopoly function through common carriage at a fee, it has to be on a nondiscriminatory, open access basis, which is available to all in a nondiscriminatory manner.

The way the program is being implemented now and the way the expansion was approved, we have limits on the amount of customer migration. Albeit, there may be physical limitations to be able to handle this, it puts a burden on customer choice uniformly throughout the area in that some are allowed access while others are denied access.

I think it's absolutely essential that customer access for particular classes of customers be offered to all in a nondiscriminatory manner at the same time. It is just not fair for one customer to have access and to reap the benefits of low cost energy and have a competitive advantage while a competitor across the street not have the same access and competitive advantage that his competitor enjoys. And that is just not fair. If we cannot come into the market on an equal footing with e'prime or Sonat or what have you, that's unfair and we need to change that.

Likewise, on the utility system, if a bakery or a cleaner, whoever -- these people have been mentioned today -- do not have access to the pipe that their competition has, then that's unfair and you either should shut it down and shut it down now -- and I'm saying this as a pool manager -- or you should expand it and expand it to all.

So I really believe that a volumetric limitation for a class of customer is not fair and it's discriminatory and you're not protecting the rights of the constituents that you are here to protect. You must open up the system to all on an equal basis or close it down.

MS. BULECZA-BANKS: Thank you. Craig, do you have any comments that you might be able to address some of the comments made by Mr. Schiefelbein?

MR. HEWITT: Yes. I wanted to answer him. As Mary Anne said, we have the final draft rule available. I will send out a data request to all the interested parties. Takes about four weeks for them to answer and then we will prepare a SERC at that time.

MR. MAKIN: Craig, do me a favor. Identify yourself.

MR. HEWITT: Craig Hewitt. Commission Staff. Sorry.

MS. BULECZA-BANKS: Mary Jo Pennino had asked earlier, and if you don't mind, I think we could just go ahead and finish up the workshop because I don't think there is much probably more than 15 minutes left. So might as well just go ahead, unless somebody has some real lengthy comments.

But Mary Jo wanted to get the feedback from the utilities, LDCs that are present here today on what she had discussed as an option of preparing -- I mean, within the rules stating a date of which you would file a plan, and within that plan state, you know, what you are going to do in order to implement the rule instead of a date where it specifies that the tariff would have to be filed.

So if I could have -- you know, Wayne are going to speak on behalf of both Chesapeake and Florida Public?

MR. SCHIEFELBEIN: Yes. And I'd also like to ask Mr. Hewitt a question on the SERC. But to -- first to answer your question, Chesapeake and Florida Public Utilities I think would like some time before they arrive at a position or a response to Mary Jo's proposal.

And my question, if I might for Mr. Hewitt is, I understand a SERC will be prepared and do you have any idea yet as to the time frame within which the data request would be going out?

MS. BULECZA-BANKS: It's going to depend because he's not going to be able to work with anything until we get a final rule and we're going to get comments from the parties who are interested in commenting on the rule first.

MS. HELTON: Just so you know how it normally works, I think probably today, it's my understanding that we will give the court reporters two weeks to prepare a transcript. I think that's the normal deadline. And then I think normally you give two weeks after transcripts come in to file post workshop comments. So we're already talking about -- today's the 24th. Post workshop comments being due April the 21st.

Depending on the volume of the comments -- there's a lot of people here in the room and whether everyone is going to file comments and how long they are going to be, I have no idea. But I can conceivably see that taking a month for the Staff to digest what gets filed, to think about the -- if people agree with Mary Jo's proposal or not. So we're talking about probably at least another month for us to come up with a draft that we're comfortable with.

So, April the 21st. We're probably looking at the end of May before we have a consensus draft. So if we request a SERC from Craig by the end of May and he does a data request -- normally that takes what? Anywhere between eight and ten weeks?

MR. HEWITT: That's correct.

MS. HELTON: So does that help you, Mr. Schiefelbein?

MR. SCHIEFELBEIN: Thank you very much.

MS. BULECZA-BANKS: Ray, would you like to comment on Mary Jo's proposal?

MR. DeMOINE: Ray DeMoine, NUI City Gas of Florida.

There's been a number of issues raised by the other LDCs that are legitimate concerns. We do have the advantage of operating in several other states and have instituted programs that have unbundled down to the residential level and we have a residential program pending as well.

I didn't express any concern with 12-31 because I believe we will be ready from talking to people within our company. I agree that a one-size-fits-all approach is not the best, and I think, you know, you have to consider each individual company's circumstances and the concerns that have been raised today.

So, you know, as far as 12-31 goes, we don't have a problem with it. But I think you have to look at each company individually and see what the concerns are.

MS. BULECZA-BANKS: Thank you, Ray. Are there any other people in the audience who would like to make any comments on the Staffs' rule?

As Mary Anne said that we're going to -- we ask that you submit post workshop comments. We're assuming that they should be due April 21st at this time, giving the court reporter two weeks to get out the transcript should you wish to use those in drafting your responses.

We ask that you -- in your comments that you really look at the things that you want to see in the rule that you believe need clarification. I think that was pretty clear today in the discussions and things that you think should be changed or modified. If you would like, you can go ahead and propose the exact language that you would like that would fix the concern that you have. I mean, if you chose to do so, that's fine too, and express your concerns. It would be really good for us if you actually had some supporting data to support your position that we can evaluate as we go forward.

Other than that, it kind of, to me, today reminded me basically of the same place we were in 1996 and the same rehash of the same arguments and the benefits and I agree with Wayne that it's like, it sure has been a long time and we haven't really gone anywhere. And not saying that necessarily in all cases that's going to be the right thing to do. We think it is. But what's surprising is that we keep making the same arguments but we don't see any supporting data, any reasonable supporting data. No one's done that.

We hear a lot, well, it won't work or it's too costly or, you know, our customers won't save money. But no one gave us -- ever submitted a sheet of paper that says, "Here's why it won't work for us," or "Here's why we believe only big guys should have the benefit." We haven't seen any of that. I mean, everybody makes comments about why it won't work, but hasn't given us any real good foundation for why it wasn't. Seems like, okay, we'll just open it up for the big guys because we're really fearful they'll leave and we'll give them the opportunity and that's it.

But I ask you to really think about it. Go back and think of your utility and think, "What will happen if we do this? What will happen if we give people the choice that they want?" And then ask yourself the flip side, "What will happen if we don't?"

Because -- take this for what it's worth. I believe that, and you've seen it, competition is going to come to this state in all facets of every energy industry and I believe that very -- because you see it around the country and you see the arguments that customers are making and they want to have the choice. And when you're neighbors like Georgia, Alabama, Louisiana, some of them that are real close by, start making those choices available, then they start offering tax incentives; what's going to hold these customers here? There's not going to be anything.

I mean, you've really got to think of what's in the best interest of my company. If I don't provide them choice, choice is going to come. If we don't do this in -- you know, in this kind of time frame or by the end of next year, guess what? It's going to come. It is going to be mandated at some point in time that you do it. I really believe that. Because what's going to happen is when finally the people get to, you know, several years down the road, whenever it happens, whenever retail competition comes on the electric side, you're going to be right along with it. And while it may be able to be pushed out, it's going to come.

Why don't you do it now and be on the forefront when you have more controls over the rules. Because I'm going to tell that when we're mandated to do it, they're going to say -- session is going to end and they're going to say, have everything done by October 1st in whatever year it is.

They're going to give us the six months like they always generally do for this stuff whenever session is and that's going to be it. Then you're going to be forced in a very hurry to do what you could slowly be doing now, and could have been doing over six years, and really getting to the point.

Now, there's a lot of sceptics in the audience, and that's fine. But I remember a person said that there is no way a marketer would ever bring on new load, and we've seen that. We've seen brand new customers come on utility systems for the benefit of transportation and be able to save money and changing them off different fuel sources.

A lot of marketers are getting the same kind of functions and facets that you see in the utilities that say that I'm going to go out there. I'm going to evaluate your complex and I'm going to find the cheapest energy sources to run your business. And the marketing arms are going to be doing that. And then they're going to say, okay, you need to do this, this and this. And they're going to have the same -- even more strength than the utilities do because they're going to be more aggressive about it because that is their bread and butter.

But just start to go back and ask yourself these questions. Why am I so bent that it won't work? If I don't have any concrete evidence, why am I pushing my heels and then I say this won't work? Because, I mean, we've seen in the market that you're getting a lot of competition from propane. And some of the recent data that was just put out by Department of Energy -- and I think it was in the January 5th Federal Register, came out with the new averages of what you see for different fuel sources in the market. And what you're looking at is No. 2 heating oil is cheaper than what the average is for natural gas. Dollars per MBTU, you're looking at No. 2 heating oil at $6.42 and you're looking at natural gas at $6.88. Kerosene and propane aren't too far behind you either.

And the thing is, customers are going to switch. If you don't start giving them the opportunity, they're going to find ways to be able to compete and stay and survive in their business. And I just -- I fear that if you just sit back and don't do anything you may not have the base you need to survive. But just try to be a little bit more open-minded and see what you might come up with.

MR. MAKIN: All right. With that we will adjourn. Thank you. Thank you for the phone call-ins, too.

MS. BRUBAKER: Thank you. It worked great.

(Thereupon, the workshop concluded at 12:25 p.m.)

STATE OF FLORIDA)
: CERTIFICATE OF REPORTER
COUNTY OF LEON)

I, KIMBERLY K. BERENS, CSR, RPR, FPSC Commission Reporter,

DO HEREBY CERTIFY that the Workshop in Docket No. 960725-GU was heard by the Staff of the Florida Public Service Commission at the time and place herein stated; it is further

CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed by me; and that this transcript, consisting of 115 pages, constitutes a true transcription of my notes of said proceedings

DATED this March 29, 1999.

Kimberly K. Berens
KIMBERLY K. BERENS, CSR, RPR
FPSC Commission Reporter
(850) 413-6736

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access 9/4, 103/25, 104/3, 104/10, 104/11, 104/13, 104/16, 104/18, 105/1
accommodate 9/22, 48/12
accompanies 102/20
accomplish 15/6
accomplished 101/15
acknowledgement 90/3
action 51/17, 52/13
actions 20/21, 52/9, 53/9
active 17/11, 29/18
activities 20/18
add 63/12, 76/9
added 57/9, 75/6, 93/4
adding 51/13
address 67/13, 67/23, 79/7, 79/20, 105/14
addressed 57/18, 61/4
adequate 58/5
adjacent 82/25
adjourn 114/8
adjust 26/13
adjustment 55/1
administer 62/3
administration 14/17, 78/22
Administrative 4/1, 9/20, 12/20, 14/5, 25/14, 26/12, 27/9, 32/23, 33/6, 43/25, 44/12, 44/15, 58/13, 77/12, 78/7, 78/8, 79/8, 81/5, 83/17, 83/18
administratively 52/22, 78/4
admire 19/16, 40/24
advance 36/18, 49/14
advanced 77/1
advantage 59/19, 104/17, 104/19, 108/15
advantageous 62/4
advocating 47/16
affiliate 41/2, 61/18, 102/11
affiliate's 45/12
afraid 77/12, 79/21, 81/8
agency 7/7
agenda 4/17, 5/11
agent 53/9, 53/15, 86/10
aggregate 20/12
aggregated 46/16
aggregation 13/22, 21/25, 22/7, 74/16, 76/5, 77/4
aggressive 100/6, 100/13, 113/7
AGL 39/11, 39/12, 39/16, 40/6, 40/10, 41/1, 44/17, 44/19, 47/3, 47/5, 47/16
AGL's 39/17
agree 14/4, 14/6, 15/17, 20/17, 29/2, 29/3, 29/12, 32/17, 32/24, 46/23, 52/16, 71/8, 74/8, 90/13, 107/22, 108/21, 110/4
agreeable 103/20
agreed 68/11
agreement 51/20, 54/5, 55/15, 57/18
agreements 61/4, 98/11
air 96/11
Alabama 111/11
ALAN 2/15, 76/14, 76/16, 84/25, 103/15
alignment 94/16
allocations 24/2
allow 51/16, 65/23, 77/10
allowed 15/18, 48/11, 70/4, 104/10
allowing 38/23, 97/19
allows 79/10
alluded 39/8
alternate 51/17, 74/21
alternative 57/23, 93/23
Amoco 33/2
amount 5/20, 12/1, 26/20, 27/12, 45/13, 71/6, 92/3, 95/6, 104/7
analysis 8/16
ancillary 79/10
ANNE 2/4, 4/10, 63/23, 105/16, 109/8
annual 24/12, 24/13
anomalies 46/1
ANSLEY 2/11, 56/3
answer 4/15, 4/18, 6/25, 22/18, 77/24, 96/2, 96/3, 105/15, 105/19, 106/19
answers 10/7
ante 97/6, 99/21
anticipation 99/3
appealing 44/9
Appeals 94/24
applicable 51/4, 52/7, 53/13, 54/1, 54/24, 56/14
applications 23/4
appreciate 11/1, 12/7, 36/17, 36/21, 48/3, 74/5
appreciates 62/8
approach 9/1, 13/2, 15/13, 15/16, 19/20, 23/13, 42/8, 73/8, 108/22
approached 22/13
appropriate 38/25, 51/18, 61/25, 71/3
approval 71/13
approve 67/15
approved 7/18, 53/20, 104/6
April 80/16, 107/15, 107/25, 109/10
area 21/15, 35/4, 35/25, 36/5, 79/23, 101/20, 104/10
areas 77/1, 82/25, 84/10, 100/1
argue 92/6, 94/12
argued 95/2
argument 29/22, 34/19, 94/2, 94/22, 94/25, 95/2
arguments 16/18, 32/4, 71/2, 97/4, 99/16, 110/3, 110/9, 111/9
arms 113/3
arrangement 61/12
arranging 33/10
arrest 81/16, 81/24
arrive 106/21
arrives 63/1
article 35/12, 35/15
articles 42/18
assessed 60/15, 79/1
assigned 102/22
assimilated 45/23
associated 26/4, 30/17
assumption 62/19
assure 79/14
Atlanta 18/14, 20/14, 42/14, 86/17
attach 84/18
attack 84/20
ATTENDANCE 2/1
attorney 56/4, 56/24, 66/3
audience 11/5, 41/10, 109/6, 112/17
author 87/12
authorized 87/13
authorizing 87/14
available 7/16, 15/22, 35/16, 41/15, 60/17, 60/19, 64/4, 83/10, 86/22, 99/25, 100/16, 100/19, 101/22, 104/4, 105/17, 111/13
average 19/18, 42/19, 44/20, 113/20
averages 113/17
avoid 12/6, 18/25

B

back-end 78/23
backed 45/8
bad 43/4, 49/24, 68/12, 83/5, 92/12
bakeries 16/18
bakery 104/24
balance 8/13, 30/9
ballpark 74/20
banging 23/18
Banks 4/11
barriers 4/23
base 23/25, 24/4, 25/3, 35/22, 88/3, 96/1, 114/4
based 16/13, 19/12, 67/2, 74/9, 76/18, 97/21, 98/4, 100/6

basis 33/11, 38/1, 82/13, 88/5, 104/3, 105/11
bear 29/11
bearing 73/20, 93/7
beat 49/3
beauty 70/1
befall 29/9
bend 38/6, 38/7, 38/8
benefit 37/2, 83/11, 101/4, 110/17, 112/20
benefited 32/5, 32/10, 32/13, 32/18, 34/21, 92/22, 93/17, 93/25, 94/17, 94/25
benefits 9/13, 18/7, 29/19, 32/16, 36/9, 92/17, 104/16, 110/4
bent 113/10
BERENS 1/19, 115/3
Betty 1/16
big 21/4, 21/5, 28/12, 32/22, 38/21, 41/9, 44/3, 45/15, 57/24, 66/12, 83/21, 92/14, 93/21, 95/21, 110/16, 110/21
bill 40/19, 43/2, 47/1, 95/25
bing 47/23
Birmingham 86/5
bit 11/19, 14/19, 18/21, 20/16, 21/11, 22/11, 29/5, 34/9, 35/21, 36/18, 36/24, 38/6, 38/8, 42/12, 47/25, 51/25, 61/18, 78/2, 114/5
bite 95/24
board 17/2
body 27/24, 31/2
boiler 38/9
bottom 34/23, 45/25, 52/4
bought 41/6, 98/8
box 34/7, 40/18
boxed 72/5
boy 60/2
boys 45/15
brand 112/19
bread 113/8
break 72/21, 73/1, 73/19
breakout 42/10
bridges 46/12
Brief 72/22, 74/1
bring 4/20, 23/5, 49/15, 68/4, 77/23, 80/7, 112/18
Bringing 82/10
broad 66/20
brochure 100/17
broker 52/5, 55/16, 63/24, 86/10, 87/14
Brown 4/12
BRUBAKER 2/6, 2/25, 88/20, 89/1
build 42/24
BULECZA-BANKS 2/2
bundled 55/6
burden 44/15, 58/14, 65/16, 81/5, 83/17, 83/18, 84/14, 84/24, 86/12, 86/22, 104/9
burdens 44/12, 77/13
burdensome 90/10, 90/12
bureau 4/13
business 16/6, 16/7, 16/13, 24/25, 85/6, 89/11, 90/20, 113/2, 114/2
butter 113/8
buy 16/22, 34/14, 34/17, 34/18, 94/20, 94/21, 95/15, 96/14, 102/1
buying 29/11, 31/20, 33/2, 41/7, 41/25
bypass 38/12, 38/17, 38/19, 83/2
bypassing 37/20

C

calculation 98/14
call 30/13, 33/10, 35/18, 47/21, 77/24, 102/25
call-ins 114/9
calls 6/7, 6/8, 38/19, 65/23
came 40/6, 85/11, 113/17
capabilities 74/22
capacity 8/5, 8/7, 8/12, 8/16, 29/13, 29/15, 49/8, 49/16, 61/2, 62/19, 77/13, 78/10, 80/4, 80/14, 80/15, 80/23, 81/2, 81/8, 81/9, 81/10, 81/12, 81/18, 81/19, 81/22, 91/19, 91/20, 92/4, 92/10, 92/16, 92/20, 93/13, 95/14, 96/12, 96/20, 96/24, 97/5, 98/8, 98/23, 99/4, 101/1
capital 26/14, 83/21
captive 8/14, 48/6, 70/20, 97/23
card 33/17
carriage 103/25, 104/2
carrier 40/17, 40/22
cart 100/10
case 11/5, 32/8, 39/15, 42/10, 98/2
cases 71/14, 90/11, 110/7
causes 56/10, 90/11
ceases 56/18
cellular 33/24
cent 93/20, 93/21
Center 1/16
certificate 78/17, 115/1
certificated 82/12
certified 78/16, 115/7
CERTIFY 115/4
challenges 98/23, 100/25
chance 7/22, 67/25, 68/6
change 39/17, 65/24, 77/12, 78/4, 79/20, 82/1, 83/13, 87/11, 87/18, 92/18, 100/14, 104/22
changed 87/15, 89/6, 93/1, 93/8, 109/18
changes 19/19, 42/12, 83/15, 103/3
changing 83/14, 112/22
charge 53/19, 54/3, 54/4, 55/14, 55/15, 59/21, 93/15, 94/16
charging 51/4
cheap 33/19, 34/15
cheaper 8/12, 16/22, 31/24, 34/17, 113/20
cheapest 113/2
cheaply 34/18
check 40/18, 40/19
CHERYL 2/2, 4/11, 4/17, 14/21, 32/17, 36/22, 37/14, 38/2, 39/7, 66/13
Chesapeake 2/9, 2/12, 4/4, 8/23, 8/25, 15/8, 58/7, 106/15, 106/19
choice 19/15, 31/16, 34/25, 35/5, 40/21, 41/8, 41/11, 41/18, 43/7, 45/16, 47/8, 50/21, 50/25, 51/12, 51/15, 52/12, 52/19, 52/25, 57/6, 57/7, 76/24, 77/2, 77/10, 77/19, 77/22, 82/7, 82/21, 83/8, 83/19, 84/11, 84/22, 84/23, 89/10, 101/20, 104/9, 111/2, 111/10, 111/18
choices 35/16, 52/21, 53/22, 53/24, 57/4, 83/23, 111/13
choose 40/13, 40/25, 41/4, 52/22, 60/5, 90/11
choosing 98/1
chose 109/21
chosen 9/11, 9/15
circumstances 108/24
City 5/24, 7/4, 7/8, 9/1, 9/17, 14/25, 15/10, 43/9, 43/14, 62/15, 74/6, 108/11
clarification 12/8, 37/3, 39/5, 47/3, 58/5, 62/11, 63/12, 63/15, 66/18, 91/17, 109/16
clarify 12/2, 63/4, 97/20
clarifying 63/18
class 16/2, 30/12, 92/18, 94/8, 105/7
classes 30/2, 30/6, 94/6, 104/13
cleaner 104/25
clear 55/19, 56/16, 56/20, 57/25, 87/8, 109/17
clearly 47/13, 59/14, 100/22
Clearwater 17/10
close 81/21, 101/21, 105/11, 111/12
closed 31/24, 99/22
closing 35/5
collapse 76/21
comfort 64/24, 65/3
comfortable 26/5, 47/6, 63/19, 107/24
Commenced 1/14
comment 13/8, 18/11, 19/9, 39/10, 39/20, 86/6, 87/1, 97/9, 97/18, 103/18, 108/10
commenting 107/6
comments 11/2, 57/21, 63/13, 66/14, 72/25, 73/3, 74/10, 84/8, 86/3, 105/13, 105/14, 106/5, 107/5, 107/13, 107/14, 107/16, 107/18, 109/7, 109/9, 109/14, 110/18
commercial 7/17, 43/2, 60/23, 76/11, 84/11, 93/16, 94/7, 98/10, 100/3
commercials 77/3, 80/3
COMMISSION 1/1, 1/20, 3/24, 4/1, 4/10, 7/19, 16/8, 31/4, 53/21, 67/14, 70/6, 71/25, 74/7, 79/24, 80/13, 81/14, 82/4, 84/2, 100/17, 105/23, 115/3, 115/5
Commissioners 27/23, 68/6, 71/2
committed 89/8
commodity 22/21
common 104/2
communities 46/4
companies 18/5, 36/7, 76/22, 84/5, 95/10, 96/6
Company 2/10, 2/13, 2/16, 4/5, 11/22, 11/23, 14/15, 21/9, 36/20, 37/21, 37/24, 41/5, 46/24, 55/24, 59/20, 65/13, 81/23, 85/4, 95/6, 95/9, 99/11, 100/21, 101/18, 108/21, 109/3, 111/17
company's 60/5, 108/24
compared 12/23, 23/2, 25/12, 53/12
compete 16/13, 16/21, 32/11, 35/6, 114/2
competing 18/6
competition 16/9, 16/12, 34/22, 36/4, 38/24, 81/7, 85/14, 85/15, 105/2, 111/6, 111/25, 113/14
competitive 23/1, 23/7, 93/19, 104/17, 104/19
competitor 104/18, 104/19
competitors 21/7, 81/11
complain 45/1
complex 113/1
compliance 8/18, 78/17, 79/16
compliant 78/6, 78/15
complying 80/6
computer 14/18
concept 15/11
concern 9/25, 16/1, 17/1, 17/16, 24/16, 51/10, 64/9, 68/21, 69/10, 69/24, 70/20, 72/3, 92/5, 96/19, 108/19, 109/21
concerned 17/21, 23/20, 24/2, 64/19
concerns 6/25, 9/2, 9/19, 19/9, 25/1, 25/23, 48/4, 50/23, 67/24, 71/21, 73/9, 77/14, 108/14, 108/24, 109/3, 109/22
Concluded 1/15, 114/11
concrete 113/11
concur 89/3
conditions 77/23, 90/19
conduct 26/3
CONDUCTED 1/11
Conference 1/16, 33/15
confirmations 65/24
confusion 54/14, 55/2, 91/5
conjunction 78/12
connected 88/18
Connecticut 80/2
conscious 40/21
consensus 73/8, 103/1, 108/1
conservation 67/9, 70/3
conserve 70/5
considerable 9/11
constituents 105/9
constitutes 115/8
consultant 73/25
consume 25/6
consumer 14/13, 35/13, 77/23
consumers 13/18
consuming 26/21
consumption 13/17, 19/18, 76/4
contemplated 70/9
contingent 8/8
continue 72/23, 72/24
contract 49/6, 49/9, 90/5, 103/25
contracts 49/12
control 71/6, 87/20, 87/22
controls 112/5
convened 2/23
convinces 46/9
cookie-cutter 15/12, 15/16, 42/8
cooperative 85/23
copies 17/13
corporate 33/9
Corporation 2/9, 2/12
correct 28/21, 28/24, 49/5, 49/17, 108/5
cost 23/6, 23/16, 24/2, 26/24, 27/9, 27/13, 28/9, 28/22, 30/17, 30/23, 31/22, 32/23, 33/6, 33/18, 36/8, 58/19, 60/12, 60/23, 79/15, 81/19, 83/4, 83/21, 92/24, 102/7, 104/16
cost-effectively 12/19
costly 110/13
costs 14/5, 26/11, 28/22, 48/7, 79/4, 82/22, 82/23, 83/8, 93/2, 93/3, 93/6, 93/9, 94/19, 102/7, 102/8, 102/19
country 18/6, 18/18, 35/16, 83/1, 100/4, 101/23, 111/9
COUNTY 115/2
couple 39/5, 86/3
course 41/1, 45/7, 51/17, 52/12, 76/3
courses 52/9
court 6/21, 72/21, 73/16, 94/24, 107/9, 109/11
cover 65/19, 75/9
covered 48/19, 66/18
CRAIG 2/17, 102/21, 105/12, 105/21, 105/23, 108/2
cramming 64/22
created 11/20, 12/4
creates 12/13
creating 11/12
credibility 31/12
credit 20/25
critical 96/22
cross-border 81/7
CSR 1/19, 115/3
cumbersome 86/14, 89/5
curious 12/9, 48/19, 99/2
currently 8/19, 14/24, 22/12, 25/15, 54/10, 55/3, 56/7, 63/20, 87/24, 95/15
curtailment 60/10, 60/25
customer 11/11, 11/24, 20/12, 21/17, 22/21, 25/6, 26/20, 32/12, 34/21, 37/22, 38/3, 38/4, 42/21, 43/2, 46/25, 48/23, 50/16, 51/9, 51/12, 52/15, 53/8, 53/11, 56/10, 56/16, 57/16, 58/11, 58/24, 59/15, 60/8, 60/23, 61/9, 64/5, 64/14, 65/8, 65/10, 65/13, 65/18, 66/9, 76/24, 77/2, 77/10, 79/2, 79/14, 81/18, 81/21, 82/2, 82/16, 82/21, 83/3, 83/8, 83/14, 84/10, 84/14, 84/21, 85/25, 87/3, 87/6, 87/7, 87/12, 87/16, 89/10, 90/3, 90/7, 90/11, 93/12, 94/4, 104/7, 104/9, 104/13, 104/15, 105/7
customer's 52/4, 53/14, 56/24
customer-driven 39/3
customers 4/23, 4/25, 5/6, 5/13, 7/16, 7/21, 8/14, 8/20, 9/4, 9/7, 9/9, 9/12, 9/22, 10/2, 11/18, 11/21, 12/12, 12/25, 13/1, 13/6, 13/12, 13/14, 13/25, 14/9, 15/2, 15/20, 15/23, 19/12, 22/10, 23/21, 23/22, 23/23, 24/1, 24/3, 24/18, 24/21, 24/22, 25/4, 25/8, 25/12, 26/2, 26/16, 28/7, 28/10, 28/11, 28/13, 28/23, 29/7,

29/24, 30/1, 30/2, 30/10, 32/5, 32/14, 32/18, 32/20, 32/21, 32/22, 33/1, 33/5, 34/25, 36/6, 37/15, 37/19, 37/20, 38/16, 40/13, 40/25, 41/2, 41/8, 42/4, 43/10, 48/6, 51/3, 54/11, 58/15, 58/18, 61/20, 64/11, 69/6, 70/21, 71/12, 76/10, 77/25, 82/6, 82/24, 83/5, 84/19, 85/17, 86/8, 86/19, 86/21, 86/23, 87/23, 90/24, 92/15, 92/19, 93/7, 93/24, 94/3, 98/12, 98/18, 99/25, 100/3, 104/13, 110/13, 111/10, 111/15, 112/20, 113/24
customers' 23/19, 77/16
cut 56/12, 56/25, 72/25
cutting 60/9

D

daily 33/11
data 20/9, 45/21, 103/4, 105/17, 107/1, 108/3, 109/24, 110/10, 113/15
DATE 1/13, 7/24, 8/1, 8/2, 10/20, 10/21, 10/23, 30/19, 45/5, 49/5, 49/12, 49/13, 49/22, 67/6, 69/13, 69/15, 69/22, 72/13, 72/14, 80/6, 80/13, 90/14, 106/9, 106/12
DATED 115/11
day 29/16, 58/22, 67/12, 101/8
days 42/15, 86/15, 99/11
deadline 107/11
deal 15/16, 21/4, 21/5, 43/4, 44/3, 50/17, 67/19, 80/4, 80/15, 86/24, 88/3, 90/4, 93/22
dealing 15/15, 32/20
deals 50/7
dealt 11/18, 48/9
death 49/3
December 7/24, 8/17, 10/23, 25/24, 48/20, 49/4, 49/11, 49/23
decide 13/5, 35/4, 64/18, 70/7, 71/3, 99/5
decided 19/22, 96/25
decides 68/4
decision 49/16, 58/17, 70/11, 99/7
decisions 45/18, 61/19, 61/22, 98/24, 100/1, 103/9
defer 97/11, 97/16
define 55/11, 90/24
defined 54/21, 91/5
degree 74/4
degrees 92/6
deliver 57/7
delivered 56/11
delivering 76/19
DeMOINE 2/8, 7/12, 108/11
denied 104/11
deny 32/8, 71/12, 80/9
department 4/11, 73/25, 113/15
depend 95/8, 107/2
depends 8/15, 45/3, 100/15
derive 9/13
design 15/8, 39/18
desirable 51/5
desire 39/4, 39/14
detail 53/18
details 85/20, 85/21
determine 42/18, 80/8, 99/14
determined 53/20
develop 12/5, 48/11, 51/17
developing 93/5
development 4/2
devil 85/19
difference 11/25, 28/6, 29/8, 32/23, 93/20, 93/21, 95/7
differing 38/23
difficult 21/6, 24/23, 28/9, 44/9, 86/18, 86/21, 98/25
difficulties 10/18
digest 107/21
direct 33/5
directed 57/15
direction 5/24, 6/13, 7/15, 7/19, 19/10, 71/16, 72/6, 74/18
director 89/24
disallow 80/9
disallowed 80/24
disappointing 51/2
disconnect 52/5, 57/5, 60/2
disconnected 59/17
discount 34/1
discriminatory 11/12, 103/24, 105/8
discuss 14/15, 30/19
discussed 10/9, 13/3, 68/12, 106/8
discussion 48/7, 48/16, 67/2
discussions 109/17
dissected 62/1
dissimilar 10/8
distance 40/16
distant 77/8
distribute 62/24
distribution 36/7, 62/15, 62/25, 63/5, 63/15, 79/22, 81/23, 82/12, 82/23, 84/4, 84/13
distributor 81/6, 81/20, 83/12, 83/19, 84/12
distributors 77/9, 77/11, 79/25, 80/19, 84/2
District 94/24
districts 17/4
Division 1/11, 2/3, 2/4, 2/17, 4/9, 99/24
divisions 46/2
DMS 7/7, 21/13, 73/14, 73/17, 74/3
DOCKET 1/4, 67/10, 70/3, 115/5
documentation 19/12
documents 66/2
doesn't 37/21, 45/21, 45/25, 47/10, 48/8, 48/24, 50/12, 50/16, 52/24, 56/12, 56/16, 56/24, 58/13, 58/25, 61/2, 69/8, 69/14, 69/23, 70/13, 71/23, 82/1, 87/4, 87/5
dollar 27/12
Dollars 113/21
door 75/22
doors 23/19
doubt 22/25
downstream 63/16
draft 103/1, 105/16, 107/24, 108/1
drafting 109/13
dragged 69/9
dramatic 46/18, 75/8
dramatically 19/19
draw 29/19, 38/4
dream 6/14, 37/9
drive 46/13
driven 46/11
drivers 37/8, 37/13, 38/22
driving 83/15
drop 11/14
drop-dead 80/13
dryers 102/1
During 10/22, 68/10, 81/16, 81/17, 85/23

E

e'prime 2/6, 3/1, 89/2, 104/21
e-mailing 86/16
easier 14/19
Easley 1/16
east 85/9
economist 102/21
edition 3/25
educating 9/12
educational 100/15
effect 12/13, 12/21, 23/20, 24/17, 25/13, 48/6, 70/23
efficient 79/15, 85/16
effort 36/18, 39/3, 44/22, 85/23
eight 42/2, 108/4
either/or 50/24, 51/10, 52/1, 53/2, 57/8
elaborate 46/12
Electric 1/11, 2/3, 4/9, 4/11, 23/2, 35/13, 77/6, 96/14, 112/1
element 29/2
eligible 9/8, 9/9, 9/23, 13/1, 13/14, 21/19, 21/24, 25/16, 76/3, 90/25
eliminate 7/20, 8/21
enacted 77/7
encourage 22/9, 22/20, 22/24, 23/6, 38/17, 72/10
encouraging 38/19
End 2/15, 19/20, 26/6, 32/5, 34/21, 46/8, 57/21, 76/17, 90/14, 95/22, 95/25, 103/16, 108/1, 108/2, 111/20, 112/7
end-use 32/12
ended 11/12
endorse 90/18
ends 71/20
enduse 33/5
Energy 2/7, 3/15, 4/5, 89/24, 93/23, 104/17, 111/7, 113/2, 113/16
Engineering 23/10
England 40/1, 42/19
enjoys 104/19
enrollment 90/6
enterprise 78/12, 79/9
enthusiasm 13/11
entities 76/2
entitled 64/5
envision 59/10, 100/17
equal 26/20, 104/21, 105/11
Esplanade 1/17
establish 10/1
established 12/12, 14/20
establishing 52/12
estimate 28/8, 28/9, 30/17
estimated 102/19
evaluate 91/23, 101/14, 109/25, 113/1
evaluated 95/18
evaluations 8/11
evidence 113/11
evolution 36/23
evolutionary 20/22, 36/23, 65/22
exception 27/2, 50/8
excess 29/15, 49/8, 96/15
exclusive 81/4
Excuse 56/3
exist 56/18
existence 47/10
expand 64/11, 105/5
expanded 85/8
expansion 8/8, 104/6
expect 10/24, 28/12
expenditures 26/14
expenses 9/25, 26/14
expensive 32/2
experience 14/9, 19/25, 21/2, 21/6, 32/15, 42/2, 43/15, 79/24, 86/17
experiencing 17/19, 18/15, 18/16
expirations 49/6
expire 49/12
exposure 66/6
express 108/19, 109/22
expression 85/19

F

F.A.C 1/5
facets 111/7, 112/24
facilities 21/14, 21/20, 21/23, 22/1, 22/14, 22/16, 74/11, 75/6, 75/13
facility 21/17, 21/18
fact 9/10, 11/23, 39/8, 52/11, 64/16, 81/24, 86/13
factor 28/23, 29/6
fail 79/18, 84/17
failed 101/16
fails 52/5
failures 18/15
fair 16/21, 26/17, 103/13, 104/15, 104/20, 105/7
fall 80/25, 85/10
fallback 67/17, 68/20
false 65/20
fashion 15/22
fast 47/24, 71/24
faster 67/1
fathom 33/7, 34/6, 102/6
favor 28/15, 105/21
fax 20/20, 65/24, 86/15, 86/20
FCT 61/2
fear 16/17, 28/16, 28/20, 28/21, 68/24, 69/2, 78/4, 114/3
fearful 11/10, 81/6, 110/21
fears 81/16, 81/24
February 3/24, 3/25
FECA 70/8
federal 77/7, 113/17
fee 104/2
feedback 106/6
feelings 11/21
feet 40/3, 47/17, 69/9
FERC 31/19, 94/23, 94/25, 100/24
Ferguson 56/4
FGT 5/2, 5/3, 5/17, 8/7, 8/8, 29/14, 31/15, 31/19, 31/20, 32/1, 32/19, 32/20, 34/12, 34/19, 49/6, 99/13, 99/21
field 16/25, 97/1
figure 26/24, 27/8, 74/20, 95/5, 101/8
file 10/15, 53/25, 55/22, 66/2, 66/13, 68/22, 70/5, 106/10, 107/12, 107/18
filed 10/10, 10/24, 57/21, 67/12, 68/25, 70/2, 106/13, 107/21
files 70/12
filing 70/11
find 82/3, 101/21, 113/1, 114/1
fine 5/23, 7/2, 31/1, 38/12, 39/7, 58/4, 109/22, 112/17
fine-tuning 74/9
fingers 75/1
finish 106/2
finished 73/22
fire 53/15
firm 77/2, 80/10
fit 12/14, 48/8, 67/7
fits 13/7, 14/23
five 20/1, 27/17, 69/15, 72/20
five-year 5/5
fix 109/20
flakes 42/15
flaw 54/7
flexibility 15/18, 50/1, 55/21, 55/23, 62/8, 72/15, 101/3
flick 67/20
flip 111/3
FLORIDA 1/1, 1/18, 2/8, 2/10, 2/13, 3/25, 4/4, 7/13, 8/24, 18/3, 18/18, 19/12, 19/18, 20/13, 21/13, 22/4, 22/5, 23/8, 23/11, 24/19, 27/25, 28/1, 31/6, 39/8, 39/22, 42/20, 43/23, 44/16, 44/20, 47/20, 47/25, 74/13, 78/2, 85/10, 85/12, 87/24, 88/1, 88/3, 88/11, 89/11,

91/7, 91/15, 100/7, 106/16, 106/19, 108/12, 115/1, 115/5
flow 55/5, 59/2
flow-through 32/13
flowing 52/14, 55/5, 74/24
folks 7/6, 49/7, 50/12, 72/9
follow 69/4
followed 63/21
foot 46/23
footing 95/25, 104/21
force 17/5, 31/18, 40/13, 93/11, 100/7
forced 31/19, 40/20, 41/12, 76/22, 80/2, 80/11, 80/17, 96/3, 112/13
forcing 19/13
forefront 112/5
foremost 67/17, 77/17
forestall 84/2
forms 86/19
formulate 98/3
found 80/12
foundation 110/19
four 69/15, 96/4, 105/18
FPSC 1/20, 2/2, 2/4, 2/17, 115/3
frame 106/25, 111/20
framework 34/5, 83/6
franchise 79/23, 81/3, 82/9, 83/16
frank 50/3
freedom 77/22
frequent 37/17
friendly 51/12
front 50/14, 71/2
front-end 78/21
frustration 36/21
FTA 6/9, 6/12, 88/7, 88/13, 103/22
FTS1 8/11, 8/12, 8/16, 49/16
FTS2 8/7, 98/9
fuel 112/22, 113/18
fuels 23/3
Fulford 4/12
function 19/14, 19/24, 20/8, 26/9, 39/19, 40/12, 79/22, 80/20, 80/21, 82/17, 82/18, 104/1
functions 26/3, 82/12, 112/24
funny 56/23
future 8/8, 10/14, 10/20, 30/18, 77/8, 81/10, 90/16

G

gamut 95/17
Gas 1/11, 2/3, 2/6, 2/8, 2/11, 2/15, 3/1, 4/5, 4/9, 4/12, 4/13, 5/22, 5/24, 6/9, 7/4, 7/12, 9/1, 9/17, 14/25, 15/4, 15/10, 17/4, 18/14, 20/14, 21/9, 21/18, 22/10, 22/18, 22/24, 23/2, 23/6, 23/7, 23/10, 23/16, 25/10, 26/19, 26/20, 29/5, 29/11, 31/17, 31/23, 33/3, 33/10, 33/17, 33/23, 34/14, 34/21, 35/13, 36/14, 36/16, 37/25, 41/6, 41/25, 43/2, 43/9, 43/14, 48/23, 50/12, 52/5, 52/6, 52/14, 52/19, 52/24, 52/25, 53/4, 55/1, 55/4, 55/5, 56/5, 56/10, 56/17, 56/25, 57/1, 57/4, 57/5, 57/6, 58/13, 58/16, 58/21, 58/25, 59/2, 63/1, 63/2, 72/24, 74/6, 74/13, 74/21, 75/24, 76/4, 76/17, 76/19, 76/22, 77/5, 82/18, 85/8, 85/10, 86/17, 88/7, 88/13, 89/1, 90/1, 90/14, 94/20, 98/16, 102/1, 103/16, 108/11, 113/20, 113/22
gate 62/15, 63/16
Gee 49/24
generation 96/14
gentleman 90/20
GEOFFROY 2/9, 8/24, 58/7
Georgia 6/2, 18/14, 18/23, 19/15, 19/17, 24/19, 39/6, 39/11, 39/12, 39/15, 39/21, 42/13, 44/19, 45/5, 47/6, 111/11
get-go 29/23
GILDERSLEEVE 2/14, 73/24
GISBE 78/5, 79/11
goal 38/15
goals 67/9, 70/3
God 46/12, 101/25
Goldberg 3/10, 91/9
governmental 76/2
granted 17/3, 38/3, 44/1
greater 43/17, 94/8
ground 21/1
grounds 67/22, 72/17
groups 85/25
growth 96/16, 98/1, 98/7, 98/9, 98/15, 99/23, 100/1
GS 30/13, 30/14
guess 18/11, 20/5, 27/22, 31/17, 36/23, 45/2, 50/22, 53/1, 53/17, 53/23, 53/25, 54/23, 63/7, 63/9, 67/4, 69/19, 72/8, 72/16, 85/22, 87/15, 87/21, 92/24, 101/5, 111/20
gun 64/21
gun-shy 66/5
gut 14/7
guy 16/21, 52/24, 60/14
guys 61/6, 67/19, 95/21, 97/7, 110/16, 110/21

H

Hadson 33/2
half 9/14, 38/1
hand 31/18
handful 33/4
handle 10/2, 21/13, 21/16, 22/2, 92/7, 95/7, 104/8
handled 13/23, 14/3
hands 35/18
happy 17/14, 50/5, 57/23
hard 3/5, 11/21, 21/7, 42/17, 61/14, 62/2, 87/13
hardware 26/3
harm 41/20, 51/8, 71/12
hate 42/7
head 33/18, 92/6, 98/17
heater 42/25
heaters 43/1, 102/1
HEATHER 2/16, 87/25
heating 18/22, 19/17, 113/19, 113/21
hedging 79/10
heels 113/12
held 62/19
Hello 7/11
help 17/14, 17/24, 18/25, 21/9, 46/24, 46/25, 69/14, 69/23, 108/6
helped 34/22
helpful 66/16
helps 23/5, 63/14, 91/4
HELTON 2/4, 4/10
HEWITT 2/17, 102/21, 105/23
HI 36/15
hiding 101/9
high 40/1
highway 16/5, 46/13
historical 98/1
history 98/4
hold 35/22, 67/19, 75/1, 95/15, 99/4, 99/15, 99/16, 111/14
holding 35/22
HOLLY 2/6, 2/25, 3/7, 3/9, 88/20, 89/1
home 38/18, 46/10, 46/23, 67/21
homes 46/17, 46/19
honestly 56/21, 75/3, 95/19
hope 6/14, 7/20, 20/2, 22/19, 47/12, 67/19
horse 100/11
host 79/3
hot 42/16
housing 46/2
Houston 3/15, 76/18, 89/25
huge 44/2
humidity 42/16
hump 14/17
hurry 112/13
hurt 30/24, 31/2, 31/6

I

i.e 77/9
idea 41/8, 41/11, 41/12, 68/12, 68/24, 74/19, 101/10, 106/25, 107/19
identified 27/10, 75/6
identifies 90/4
identify 6/19, 73/15, 89/21, 97/13, 105/21
ill 59/21
impact 29/23
implement 5/8, 106/11
implementation 69/13, 103/23
implemented 69/12, 69/22, 78/16, 89/7, 104/5
implications 68/7
impose 51/8, 65/7, 87/8
imposition 65/9
impressed 39/24
imprudent 80/23, 81/2
incentives 111/14
inclined 53/5
incorporate 9/21, 55/14, 93/8, 103/2
incorporated 62/8, 84/17
increase 98/18
increases 83/4
increment 29/6
incremental 26/13, 29/8, 95/4
incrementally 93/4
incur 9/25
incurred 33/7, 81/19
independently 33/1
Indiantown 12/23
indicate 76/2
indicated 22/16
industrial 36/6, 42/11, 84/11, 88/3, 98/7
industrials 76/23
industry 111/8
Inflaite 4/5
information 13/21, 21/8, 31/8, 64/4, 64/8, 79/1, 90/22
initiative 60/6
innovation 77/20
innovative 85/16
input 15/15, 66/16
insights 18/24
instinct 14/7
instituted 108/16
integrity 32/3, 99/17
intensive 78/21
intent 47/14, 70/7
intention 55/8
interest 8/13, 18/13, 40/11, 45/2, 45/3, 101/18, 111/17
interject 102/14
internally 78/13, 103/1
Internet 34/2, 79/3, 79/12, 90/8
interpretation 54/8
interrupt 24/6
interruptible 60/10
interrupting 48/23
interstate 82/11, 83/1
intraday 58/22
intuitive 63/8
investigate 75/25
investment 49/10, 49/20, 92/4
issue 11/12, 23/1, 29/25, 38/23, 44/13, 44/14, 48/9, 57/24
issued 3/23, 60/16
issues 10/8, 11/15, 11/17, 12/4, 26/5, 58/10, 59/5, 59/6, 65/15, 80/4, 81/8, 108/13

J

Jacuzzi 42/25
jamming 64/22
January 26/9, 49/24, 49/25, 50/5, 78/6, 78/19, 79/18, 113/16
jealous 35/10
jeopardize 32/3, 82/9
JO 2/11, 36/15, 38/22, 47/15, 55/25, 67/21, 68/10, 68/19, 72/24, 97/11, 97/16, 97/17, 105/25, 106/6
Jo's 106/21, 107/22, 108/10
job 5/22, 5/24, 18/24, 18/25, 63/6, 98/5
Joe 12/24
jotted 23/12
judgment 15/7
July 49/15
jump 31/22, 57/20, 60/2
jumped 40/3, 47/17
jurisdiction 63/9, 87/9
jurisdictions 90/3
justification 31/1, 70/13

K

Kay 74/25
KEITH 2/7, 3/13, 3/14, 3/16, 89/14, 89/21, 89/23
Keith's 103/18
Kerosene 113/23
key 19/6
kicked 11/4, 28/19
kill 86/5
KIMBERLY 1/19, 115/3
knock 75/22
knowledge 44/5

L

lack 36/9, 51/16, 53/18, 68/17
laid 51/19
language 51/14, 51/23, 52/2, 61/25, 109/20
large 9/18, 30/9, 67/23, 88/2, 88/4, 93/7, 94/3, 98/7, 98/12
larger 76/11
largest 98/22
later 12/5, 78/14, 95/25
laughed 33/18
Laughter 73/19, 75/10
Laundromats 101/25
lay 46/21
layperson 56/23
lays 71/1, 72/13
LDC 4/22, 32/10, 32/21, 74/3, 86/11, 86/12, 86/24, 87/21, 94/19
LDCs 5/4, 12/15, 12/16, 14/25, 17/12, 19/23, 31/16, 32/4, 34/16, 37/11, 43/22, 44/1, 48/4, 85/24, 91/19, 92/14, 106/7, 108/14
lead 22/17, 48/16, 101/2
learn 85/11
learning 103/6
leasing 91/19
leave 35/4, 41/12, 69/3, 69/7, 72/3, 90/16, 91/10,

93/22, 101/20, 110/22
leaving 36/5
ledger 78/25, 79/10
leery 42/21
left 4/10, 13/4, 29/20, 73/17, 93/16, 94/1, 95/24, 97/22, 106/4
Legal 2/4, 4/11, 78/7
legislation 40/4, 77/6
legislature 39/13
legitimate 77/14, 108/14
lengthy 106/5
LEON 115/2
level 8/9, 10/13, 10/15, 12/22, 16/15, 17/19, 18/5, 37/12, 64/15, 65/2, 67/13, 69/13, 76/4, 77/7, 108/17
levels 13/6, 13/17, 14/7, 19/13
liabilities 78/18
lie 71/21
lies 17/1
Light 18/14, 18/17, 86/17
limit 51/23, 53/21, 56/7
limitation 105/7
limitations 104/8
limited 5/23, 12/17
limits 104/7
line 25/8, 25/9, 28/23, 34/23, 38/4, 39/2, 46/22, 61/3, 70/8, 89/15
list 23/12
listened 33/15
litigation 79/17
little 9/1, 11/19, 14/19, 18/21, 20/16, 21/11, 22/11, 29/5, 34/8, 34/9, 35/21, 36/18, 36/24, 38/6, 38/8, 47/25, 51/25, 61/18, 66/5, 78/2, 79/5, 95/4, 114/5
live 69/22
load 14/2, 19/17, 23/24, 24/12, 24/13, 28/23, 29/6, 35/2, 43/6, 43/12, 44/21, 45/13, 46/15, 97/22, 97/23, 112/19
loads 18/23, 76/11
local 76/22, 81/23, 84/4, 84/13
locked 16/23, 31/20
lose 24/24, 35/3, 35/23, 53/11, 81/5, 102/7
losing 24/24, 28/16, 43/12
lottery 40/23, 42/24
Louisiana 111/12
love 6/10, 31/10, 55/22
low 29/6, 79/15, 83/21, 104/16
lower 14/12, 22/11, 22/19, 22/22, 32/11, 33/6, 83/7
lowered 74/14
lowering 10/12, 82/23
Lowery 4/13
lowest 23/17
lunch 73/19

M

Macfarlane 56/4
machines 86/16, 86/20
magnitude 32/19
Mahal 42/24
mail 86/20
maintain 81/1, 81/3, 81/10, 83/15
maintaining 91/19
majority 13/20, 30/11, 61/10, 101/16
MAKIN 1/11, 2/2, 4/9
Management 73/25
Manager 8/25, 23/10, 103/23, 105/4
managers 99/24
mandate 12/25, 45/20
mandated 39/18, 111/21, 112/6
mandating 9/3, 67/6
manner 79/15, 104/4, 104/14
MARC 2/10, 23/9, 43/11, 91/14
March 1/13, 115/11
margin 79/22, 81/1, 96/12, 97/21, 99/10, 102/12
margins 82/20, 83/17
Mark 91/13
market 18/17, 18/18, 19/1, 19/14, 19/15, 19/24, 20/8, 24/23, 24/24, 24/25, 25/2, 28/15, 28/17, 29/4, 29/10, 29/17, 29/18, 40/12, 45/3, 77/1, 77/19, 77/20, 77/25, 82/3, 83/14, 85/12, 88/11, 91/20, 95/16, 96/15, 104/21, 113/13, 113/18
marketer 13/20, 13/23, 14/1, 20/11, 34/17, 45/2, 46/9, 50/12, 50/16, 51/1, 51/6, 51/8, 52/4, 52/13, 53/4, 55/16, 56/13, 56/24, 57/3, 57/16, 58/15, 58/23, 59/17, 61/5, 61/6, 84/16, 85/7, 85/13, 86/10, 87/3, 87/8, 87/9, 87/10, 87/20, 90/5, 112/18
marketer's 58/13
marketers 6/11, 7/6, 19/3, 23/18, 33/4, 34/20, 42/1, 44/23, 61/16, 61/22, 73/13, 85/25, 86/23, 89/4, 89/19, 92/2, 112/23
Marketing 2/16, 4/3, 41/2, 41/19, 76/16, 85/4, 85/6, 85/8, 85/10, 89/24, 100/6, 113/3
markets 24/19, 83/22
marry 78/20, 83/9
MARY 2/4, 2/11, 4/10, 36/15, 38/22, 47/15, 55/25, 63/23, 67/21, 68/10, 68/19, 72/24, 97/11, 97/16, 97/17, 105/16, 105/25, 106/6, 106/21, 107/22, 108/10, 109/8
Matter 1/4, 87/5
maturity 77/1
Max 4/12
maximize 83/7
MBTU 113/21
MCABEE 2/16, 85/3
McClosky 102/16
McMullen 56/4
Meaning 49/6
meat 35/23
meet 21/21, 21/23, 77/23, 78/16
meeting 46/10, 78/5, 101/11
mentality 101/9
mentioned 11/3, 13/13, 26/10, 38/2, 105/1
merchant 39/19, 80/20, 80/21, 82/18
merits 95/19, 101/14
mess 78/9
meter 33/17, 33/19, 63/16, 65/11
microphone 6/18, 73/15
microphones 6/18, 67/20
mid-2000 49/13
middle 67/22, 72/17
Midwest 18/21
migrate 81/23
migrating 81/18
migration 79/15, 104/7
mike 3/4
mile 16/19
miles 46/14
million 27/13, 38/1
millions 75/1
mimicking 32/1
mind 22/3, 27/20, 48/17, 48/24, 69/16, 106/1
minds 34/9
minimal 96/24
minimize 97/1
minute 29/9, 57/20, 71/15, 72/20
minutes 48/13, 106/4
misinterpreting 52/10
mixture 46/7
model 5/8, 48/10, 62/1, 77/5, 90/18
modification 67/5, 67/8
modified 109/18
moment 24/6, 74/24, 74/25
money 16/10, 43/18, 46/25, 52/23, 74/20, 110/14, 112/21
monopoly 34/5, 82/16, 104/1
month 7/17, 19/19, 25/7, 42/20, 43/3, 107/20, 107/23
monthly 88/5
months 69/17, 112/10
morning 23/9, 74/10, 76/15
motivated 52/13
move 5/23, 6/13, 10/15, 13/10, 37/23, 67/1, 71/10, 71/11, 74/18, 75/5
moved 12/3, 68/13
movement 82/17
moves 72/6
moving 7/14, 7/19, 72/1, 79/2
MR. DeMOINE 7/11, 8/3, 12/7, 108/11
MR. GEOFFROY 8/24, 10/21, 15/17, 18/11, 21/16, 22/13, 58/7
MR. GILDERSLEEVE 73/18, 73/23, 74/23, 75/11, 75/16
MR. GOLDBERG 3/2
MR. HEWITT 105/15, 105/23, 106/18, 106/23, 108/5
MR. MAKIN 2/24, 3/20, 4/8, 8/23, 10/19, 10/22, 14/21, 18/9, 20/4, 21/11, 22/3, 23/8, 25/15, 25/22, 26/22, 30/20, 36/2, 36/11, 36/14, 37/14, 37/20, 47/15, 49/1, 49/17, 50/6, 51/13, 51/21, 54/6, 56/2, 58/6, 61/24, 62/17, 63/4, 63/20, 64/7, 66/11, 68/9, 72/20, 72/23, 73/10, 73/12, 73/21, 74/19, 75/9, 75/13, 76/13, 84/25, 85/2, 87/23, 88/6, 88/9, 88/12, 88/16, 88/20, 88/22, 88/24, 89/14, 89/17, 89/21, 91/8, 91/12, 96/10, 97/13, 97/25, 105/21, 114/7
MR. RICHARDS 76/15, 84/9, 85/1, 103/15
MR. SAPPENFIELD 3/14, 89/16, 89/18, 89/23
MR. SCHIEFELBEIN 97/10, 97/15, 102/14, 103/6, 103/13, 105/14, 106/17, 108/7, 108/8
MR. SCHNEIDERMANN 23/9, 24/9, 24/12, 24/14, 24/16, 25/18, 25/23, 28/5, 28/25, 30/5, 30/8, 30/13, 30/16, 31/7, 32/17, 36/3, 36/13, 91/14, 96/7, 96/18
MR. WATSON 55/25, 56/3
MS. BRUBAKER 2/25, 3/6, 3/8, 3/10, 3/13, 3/17, 88/21, 88/23, 88/25, 91/10, 114/10
MS. BULECZA-BANKS 3/3, 3/7, 3/9, 3/12, 3/16, 3/19, 3/21, 7/24, 11/1, 13/8, 15/25, 19/8, 20/5, 24/5, 24/11, 24/13, 24/15, 28/18, 29/1, 30/6, 30/11, 30/14, 31/9, 32/24, 38/21, 39/23, 49/18, 52/16, 53/23, 54/15, 54/22, 55/9, 55/13, 55/20, 56/19, 59/10, 62/22, 63/1, 63/7, 64/3, 64/21, 68/19, 71/8, 84/7, 87/1, 88/17, 91/21, 96/21, 99/6, 101/2, 103/14, 105/12, 105/25, 107/2, 108/9, 109/5
MS. HELTON 3/23, 51/25, 53/14, 102/21, 103/11, 107/7, 108/6
MS. McABEE 85/3, 87/18, 87/25
MS. PENNINO 36/15, 37/17, 39/1, 47/2, 48/3, 49/13, 50/22, 51/15, 51/22, 52/3, 53/7, 53/17, 54/7, 54/19, 55/2, 55/11, 55/19, 58/5, 62/7, 62/18, 62/24, 63/3, 64/9, 66/17, 69/25, 72/8, 73/2, 73/11, 97/17, 98/22, 100/22
MS. STUBBLEFIELD 88/2, 88/8, 88/10, 88/14
multitudes 6/8
municipalities 17/4, 17/8
MYRA 2/16, 85/3

N

name 4/8, 7/11, 30/7, 33/15, 36/15, 73/23, 76/15
names 46/11
national 18/5
native 97/22
Natural 2/15, 23/2, 52/6, 56/10, 74/12, 74/13, 74/21, 75/24, 76/17, 76/19, 77/5, 90/14, 103/16, 113/20, 113/22
nature 37/6, 78/21, 93/19
neat 40/24
necessary 12/20, 67/18
necessity 76/23
need 6/3, 9/21, 19/23, 20/7, 26/23, 26/24, 27/13, 27/16, 39/3, 39/9, 45/9, 48/16, 49/8, 49/14, 50/17, 54/8, 60/19, 65/12, 65/19, 66/9, 66/10, 66/23, 67/11, 67/14, 68/10, 68/15, 71/17, 87/18, 90/14, 91/1, 91/22, 92/19, 96/15, 99/15, 101/19, 104/22, 109/16, 113/4, 114/4
needed 72/15, 74/9
needing 49/15
needs 12/11, 48/12, 57/4, 59/15, 59/18, 61/8, 64/14, 64/17, 77/16, 77/17, 77/18, 77/24, 82/2, 83/9
negative 94/6
neighborhood 75/18, 88/4
neighbors 111/11
network 79/9
neutrality 83/16
new 6/21, 19/22, 21/1, 21/5, 26/6, 40/1, 42/19, 50/19, 80/12, 80/17, 82/10, 88/11, 92/9, 99/25, 101/10, 112/19, 112/20, 113/17
nightmare 43/25
NOI 100/24
nomination 58/23
nominations 79/11
noms 61/2
non-exclusive 82/9
nondiscriminatory 104/3, 104/4, 104/14
nonetheless 12/25
nonparticipants 30/24, 98/2
nonperformance 57/12
nonresidential 4/23, 5/14, 7/16, 8/22, 9/3, 12/12, 13/1, 15/6, 15/20, 15/23, 23/21, 23/22, 23/23, 24/1, 24/7, 24/8, 24/9, 25/11, 26/1, 28/7, 28/13, 28/16, 37/12, 67/13, 68/14, 72/14, 91/3
noon 73/22
NOPR 100/24
normal 107/11
normally 74/12, 107/8, 107/11, 108/3
north 19/18, 42/19, 43/15, 44/1
northeast 18/21, 76/21
notaries 86/22
notarization 48/22, 64/17, 84/24
notarize 84/13
notarized 64/13, 86/14
notary 86/24, 89/4, 89/20, 90/9, 90/12
notes 115/9
nother 11/12
Notice 3/22, 3/23, 4/7, 49/21
notification 49/14, 88/15
notified 6/11
notify 8/7
NUI 108/11
NUI/City 2/8, 7/12
number 9/22, 10/2, 11/16, 12/3, 12/24, 19/25, 32/19, 51/3, 58/15, 58/16, 63/23, 63/24, 74/11, 74/24, 75/3, 75/5, 96/11, 96/17, 108/13
numbers 14/11, 24/7, 28/19, 100/13
numeric 11/16, 12/3

O

obligation 56/18, 62/21, 62/22, 92/15, 97/6
obtain 24/23, 26/2, 65/19, 86/10, 86/12, 87/12
obtaining 86/7
occurrence 37/18
October 112/9

off-system 83/4
offer 17/6, 21/25, 22/4, 22/6, 37/21, 71/15, 83/19, 83/23
offered 5/3, 11/24, 24/1, 28/14, 104/14
offering 6/12, 76/24, 81/25, 111/14
office 9/20, 12/20, 33/9, 34/13, 78/21
OFO 60/16
Ohio 2/6, 2/25, 89/1, 90/7
oil 23/2, 76/21, 113/19, 113/21
old 65/9
on-system 81/21, 82/24, 83/5
one-fix-all 92/8
one-size-fits-all 12/13, 13/2, 108/22
onerous 64/10, 64/19
open 4/22, 5/19, 6/1, 31/15, 31/17, 31/19, 32/5, 32/14, 34/8, 34/9, 49/7, 52/10, 68/14, 70/22, 70/23, 82/9, 89/9, 95/12, 95/16, 96/8, 99/1, 100/11, 103/25, 104/3, 105/10, 110/20
open-ended 69/3, 69/7, 72/4
open-minded 114/6
opening 26/1, 28/15, 32/18
operating 26/14, 99/12, 108/15
operational 58/10, 59/5, 59/6
operations 9/21, 12/21, 23/10
opinion 14/22
opportunities 59/24
opportunity 4/24, 5/4, 5/13, 7/9, 8/10, 12/2, 49/18, 60/3, 60/4, 66/25, 70/10, 70/25, 74/12, 78/10, 83/25, 94/11, 94/18, 100/8, 101/21, 102/5, 110/22, 114/1
oppose 43/23
opposed 32/21, 48/10, 68/23, 74/21, 76/24, 82/24, 86/20, 93/14
option 41/14, 52/17, 53/2, 58/24, 59/1, 59/14, 59/18, 59/20, 87/2, 106/8
options 51/24, 56/8, 58/2
order 9/21, 32/19, 60/16, 106/11
ordering 25/20
original 40/22
outcome 71/6, 74/17, 100/23, 101/4
overhead 26/12

P

p.m 1/15, 114/12
pace 36/22
packages 8/1, 33/22, 34/21
pages 66/2, 115/8
painful 34/10, 78/1, 79/20
palatable 82/8
Palm 35/25
paper 35/13, 49/23, 110/15
papers 44/11
paperwork 84/13
Paragraph 49/2, 50/23, 52/4, 62/12, 86/4
paragraphs 48/21
paraphrase 28/20
Pardon 88/23
part 13/9, 45/6, 67/23, 75/21, 89/4, 91/17, 95/19, 98/14, 103/23
participate 75/23, 88/6
participating 90/1
participation 14/7, 14/11
parties 83/11, 85/24, 90/22, 105/18, 107/5
party 50/9
passing 15/7
patience 84/1
patterns 42/13, 98/1
Paul 3/2, 3/3, 3/10, 4/12, 91/8
pay 11/25, 29/4, 29/5, 29/9, 33/17, 60/15, 75/9, 84/20, 95/1
paying 22/12, 26/16, 26/17, 31/23, 95/4
pays 57/17
peak 99/11
penalize 51/6, 52/14, 53/3, 55/16, 56/13
penalized 53/8
penalties 50/13, 57/10, 57/12, 60/15, 84/16
penalty 55/15, 57/14, 58/2
pending 108/18
penetration 99/1, 100/2
PENNINO 2/11, 36/16, 97/17, 105/25
Peoples 2/11, 4/5, 5/22, 6/9, 6/12, 9/17, 15/3, 15/10, 36/14, 36/16, 37/25, 56/5, 62/7, 64/7, 66/21, 68/20, 72/24, 73/6, 74/6, 76/8, 86/7, 88/6, 88/12, 90/1, 97/17, 98/15
percentage 100/5
percentages 24/6
perform 84/18
period 5/5, 26/7, 56/12, 80/14, 81/17
periods 80/18
Personally 6/4
perspective 18/4, 63/10
Pete 3/11
petition 71/13, 71/23
PGA 23/17, 28/22, 29/19, 54/17, 58/1, 70/21, 80/22
phase 5/14
phone 3/4, 6/7, 6/8, 18/1, 40/16, 63/23, 63/24, 65/21, 65/24, 66/4, 114/8
physical 104/8
physically 60/11
pick 64/2, 91/2
picked 49/4, 49/11
picking 22/5, 30/21, 92/24, 96/11, 102/11
picture 20/15, 42/12
pilot 45/1
pilots 21/3
pipe 82/10, 82/25, 105/1
pipeline 31/14, 94/21, 96/13, 96/20
pipelines 83/1
pitfalls 19/1
PLACE 1/16, 9/7, 13/23, 15/21, 25/25, 26/6, 27/18, 39/3, 39/4, 61/25, 65/11, 70/16, 70/17, 76/7, 110/2, 115/6
placed 84/16
places 74/5, 75/20, 85/15
plan 39/14, 67/12, 67/14, 68/5, 68/7, 68/23, 68/25, 69/1, 69/4, 69/11, 69/21, 70/1, 70/12, 70/24, 71/3, 106/10
plans 102/18, 103/7
play 76/6
playing 16/25, 44/24, 97/1
plays 28/12
pleadings 101/24
pleas 102/4
PLM 2/14, 73/24
point 5/3, 8/22, 9/15, 13/15, 18/12, 20/10, 22/16, 27/6, 28/19, 41/16, 41/23, 45/4, 62/11, 63/14, 65/4, 66/25, 82/4, 85/8, 87/17, 92/11, 95/3, 97/11, 97/12, 97/18, 102/15, 111/22, 112/15
points 37/3, 39/5, 48/5, 63/11, 66/18
politically 82/5, 82/8, 82/14
pool 42/25, 103/23, 105/4
popular 82/5, 82/14
portfolio 7/22, 8/5, 76/19
position 7/1, 10/14, 11/2, 17/25, 32/15, 51/2, 51/6, 60/10, 67/17, 68/21, 80/10, 86/6, 91/18, 91/24, 106/21, 109/24
positions 45/12
positive 71/10
possibility 26/15, 30/1, 49/21
possible 62/10
post 107/12, 107/14, 109/9
potential 9/13, 9/22, 10/2, 25/11, 33/6, 49/19, 75/6, 75/15, 78/18, 79/16
preached 34/24
precedence 47/4
preclude 43/8, 46/20, 47/8, 47/10, 47/13, 51/11
precluded 47/11, 66/24
precluding 102/5
predict 97/23
predicting 98/25
prefer 86/24
prepaid 33/22
preparation 102/18
prepare 102/24, 105/19, 107/10
prepared 106/24
preparing 106/8
prepay 33/23, 33/25, 34/1
presented 67/24
presents 100/24
pressure 77/8
pretty 50/7, 54/22, 91/6, 98/5, 109/17
price 22/11, 22/19, 22/22, 23/1, 23/2, 29/5, 29/10, 32/11, 53/12, 76/21
primary 78/14
prime 6/3, 61/9
problem 7/14, 7/23, 7/25, 16/6, 29/14, 47/18, 49/25, 79/8, 79/17, 92/13, 92/22, 101/5, 109/2
problems 63/18, 69/18, 77/13, 78/7, 78/8, 78/18, 103/22
procedures 9/20, 10/1, 14/18
proceed 6/16
PROCEEDINGS 1/9, 44/13, 115/7, 115/9
process 10/16, 19/4, 19/6, 20/22, 25/9, 25/19, 36/23, 43/17, 70/11, 70/25, 71/7, 71/20, 74/6, 75/18, 80/1, 84/3, 86/15, 86/25
processes 85/24
procure 81/9
Procurement 74/14, 75/24, 77/13, 78/23, 80/22, 81/20
product 78/23
production 76/20
products 83/10
profit 41/24, 42/5, 46/23
profitable 102/13
program 5/25, 6/9, 6/12, 7/17, 19/7, 45/1, 45/7, 46/8, 74/14, 75/5, 75/7, 75/15, 75/17, 75/24, 88/7, 88/13, 90/2, 90/15, 91/4, 92/1, 103/22, 103/24, 104/5, 108/18
programs 18/20, 21/14, 98/25, 100/16, 108/16
projections 98/4, 99/22
promise 20/9, 69/11
promoted 78/13
propane 113/14, 113/23
proposal 44/18, 72/10, 74/7, 89/9, 95/18, 101/13, 101/15, 106/22, 107/22, 108/10
proposals 90/7, 96/9
propose 109/19
Proposed 1/5, 4/2, 9/3, 12/10, 12/11, 15/18, 80/7, 101/11
prorated 61/3
protect 83/16, 105/10
protected 25/4, 79/22, 79/23, 82/20
protecting 25/1, 104/1, 105/8
protection 84/21
protections 84/15
provide 5/5, 12/19, 41/13, 50/9, 50/13, 50/16, 52/5, 52/6, 52/20, 53/5, 53/25, 54/17, 56/14, 59/8, 59/24, 64/14, 65/2, 65/10, 83/2, 83/6, 83/8, 86/11, 111/18
provider 93/23
provides 56/15, 64/7
provision 54/1, 54/2, 54/25, 89/20
provisions 54/13, 54/21, 55/12, 55/13, 57/9, 57/14, 58/2
prudency 80/22
prudent 80/9, 80/23
PUBLIC 1/1, 2/10, 2/13, 4/4, 23/8, 23/11, 80/12, 91/15, 106/16, 106/20, 115/5
published 3/24
pull-the-number-out-of-the-air 11/9
purchase 31/16, 55/1, 81/2
purchases 98/20
purchasing 50/12, 80/23, 80/24
purpose 4/6
pushed 112/2
pushing 113/12
put 38/9, 38/10, 45/11, 49/22, 57/4, 57/6, 57/13, 59/17, 60/20, 61/25, 62/4, 62/5, 63/13, 63/22, 63/24, 67/22, 74/7, 77/8, 77/16, 84/23, 91/22, 100/21, 102/8, 113/15
puts 50/14, 86/22, 104/9
putting 26/6, 26/19, 65/16, 86/12

Q

qualify 25/7, 37/16
quantity 21/18, 29/11
question 5/10, 66/23, 97/10, 102/15, 106/18, 106/19, 106/23
questions 4/15, 4/19, 6/16, 6/24, 10/7, 37/1, 43/21, 99/18, 113/10
quick 82/13, 83/20, 91/25

R

raise 35/17, 75/9
raised 108/13, 108/25
ramification 53/15
range 98/16
rate 39/18, 54/17, 56/15, 100/2
ratepayers 27/24, 31/2
rates 93/1, 93/8, 96/1
RAY 2/8, 7/11, 108/9, 108/11, 109/5
reached 102/25
reaches 62/14
reaction 72/10
reactions 72/18
read 3/21, 47/23, 75/22, 98/18
reading 44/12, 54/16, 54/18, 54/20, 58/1
reads 25/5, 58/1
realign 7/22, 8/1
realignment 93/14
realm 54/5
reap 29/19, 102/10, 104/16
reaped 92/16
reason 6/20, 13/9, 31/15, 40/9, 43/5, 49/4, 49/10, 66/7, 68/18, 70/18, 81/12, 85/11, 91/23
reasonable 8/2, 45/17, 69/16, 69/17, 79/6, 80/8, 94/13, 110/10
reasons 9/16, 23/18, 39/2, 78/14, 91/1, 101/13, 102/6
rebuttal 103/17
Received 6/8
recess 72/22
recognition 36/17
recommend 67/4
record 74/2
recording 90/6
reduce 16/16, 49/19, 49/20, 81/1, 82/21, 92/3
reduces 14/2, 91/5
reestablished 58/21

Regional 8/25, 85/7
Register 113/17
regulations 76/1
Regulatory 2/17, 102/19
rehash 110/3
relate 48/5, 86/4
related 50/23, 64/10
relates 62/21, 98/24
relative 78/3, 79/4, 84/4
reliability 84/17
Reliant 2/7, 3/15, 89/24, 103/18
relief 80/5
relying 86/20
remedies 81/14
remember 5/4, 31/15, 33/14, 34/12, 40/15, 73/15, 112/17
remembered 40/17, 40/18
reminded 110/2
remove 4/23, 80/21
removes 72/14
renegotiate 49/9
report 78/24
REPORTED 1/19, 115/7
Reporter 1/20, 6/21, 72/21, 73/16, 109/11, 115/1, 115/3
reporters 107/9
reports 79/9
represent 23/24, 30/3
representatives 101/12
represented 74/4
representing 24/3
represents 63/15
request 65/13, 103/5, 105/17, 107/1, 108/2, 108/3
requested 4/2, 4/3, 6/24, 64/25
requesting 37/15, 65/1
require 67/1, 86/9
requirement 48/22, 90/10, 90/23
requirements 25/14, 65/8
requires 87/21
requiring 26/15, 65/18, 70/1
Research 2/17, 42/17
reserve 96/12, 97/21, 99/10
residential 5/12, 8/13, 20/12, 21/3, 23/22, 24/3, 24/17, 24/22, 24/25, 25/2, 28/17, 35/2, 42/21, 43/6, 43/9, 43/12, 44/21, 45/13, 45/21, 46/15, 47/8, 48/19, 98/3, 98/10, 108/17, 108/18
residentially 98/16
residentials 77/4
resort 62/20
resource 78/12
resources 10/1, 10/4, 12/17
respects 13/24
response 106/21
responses 109/13
responsibility 64/12
responsible 16/11, 56/9, 62/13
rest 7/5, 96/12
restaurants 46/4
restrictions 21/12
result 103/2
Retail 89/25, 111/25
retain 24/23
retire 27/17
retirement 20/6
return 93/6
returns 94/6, 94/8
revenue 83/16
revenues 23/25, 24/4, 25/3, 81/1
Review 2/17
reviewed 7/13
revised 65/12
reworded 65/16
RICHARDS 2/15, 76/16, 103/15
rights 105/9
risk 24/24, 59/16, 81/1
road 46/21, 77/25, 111/24
Rockies 85/9
role 19/5, 28/12
roll 81/10
rolled 78/11, 81/18
Room 1/17, 32/7, 37/2, 45/24, 75/19, 102/23, 107/17
RPR 1/19, 115/3
RTUs 25/20, 26/15, 26/24
Ruden 102/16
Rule 1/5, 4/2, 7/13, 7/14, 7/23, 8/19, 9/3, 12/10, 12/11, 14/23, 15/19, 37/5, 38/6, 38/8, 43/5, 47/9, 47/10, 47/11, 48/9, 48/14, 51/23, 53/21, 56/7, 56/16, 60/1, 61/24, 62/2, 62/9, 62/21, 63/11, 65/5, 66/15, 66/19, 66/23, 66/25, 67/5, 67/8, 67/18, 68/2, 68/10, 68/15, 68/16, 68/18, 68/25, 69/20, 70/8, 72/13, 80/6, 84/8, 85/18, 86/3, 87/5, 87/11, 87/19, 89/5, 89/9, 91/7, 91/18, 103/19, 105/16, 106/12, 107/4, 107/6, 109/7, 109/16
rulemaking 10/16, 102/20
rules 38/7, 65/7, 65/10, 65/12, 76/1, 90/20, 106/9, 112/5
run 21/9, 33/17, 46/24, 82/24, 83/1, 90/9, 101/25, 113/2
running 33/8, 42/25

S

safe 65/10
sale 83/4
sales 54/12
SAPPENFIELD 2/7, 3/14, 89/23
satisfactory 73/6
save 16/10, 43/4, 43/18, 46/25, 110/13, 112/21
saving 74/20
savings 4/25, 10/5, 12/21, 14/10, 22/24, 75/4, 75/7, 75/25, 89/10
saw 49/18, 94/23
scare 75/19
scenario 5/16, 12/13
sceptics 112/16
SCHIEFELBEIN 2/12, 97/15, 102/16
SCHNEIDERMANN 2/10, 23/10, 91/13, 91/14
schools 76/7, 76/9
scoop 81/12
scream 31/22
screaming 77/19, 77/20
season 82/9
seasonal 24/21
Sebring 12/23
secondary 29/17, 29/18, 77/18, 96/15
secure 79/12
security 84/18, 84/20
seek 64/13
self-contained 46/4, 46/5
sell 29/17
send 105/17
senior 74/23
sense 15/24, 36/19, 39/22, 51/24, 64/24, 66/21
sentence 52/18
SERC 102/24, 103/7, 105/19, 106/18, 106/24, 108/2
serve 43/6, 62/21, 69/7, 97/6
served 16/19
SERVICE 1/1, 1/6, 7/15, 17/6, 21/15, 21/21, 23/25, 25/6, 28/14, 30/4, 30/9, 30/10, 33/24, 34/2, 36/10, 37/16, 37/22, 40/16, 41/14, 46/22, 50/9, 50/10, 50/15, 50/18, 50/20, 52/6, 54/12, 56/14, 58/20, 73/25, 74/13, 78/24, 80/12, 82/3, 115/5
serviced 82/2
Services 2/5, 12/20, 26/18, 59/9, 74/1, 79/3, 79/10, 83/10
serving 16/4
session 112/7, 112/12
set 4/6, 14/6, 14/18, 49/22
sets 13/2
seven 5/2, 5/17, 32/15, 42/1
sewer 35/14
SGS 30/12
share 4/18, 26/17, 94/19, 95/4
shared 48/6
shares 6/14
shed 18/16
sheet 110/14
Shell 33/1, 33/11
Shevie 4/12
shoes 45/11
short 73/1, 73/11
show 36/8, 48/24, 52/1, 56/12, 58/13, 58/21, 58/25
shows 58/17
shut 58/12, 58/18, 59/11, 60/22, 105/3
shutting 51/3, 58/11, 58/20, 58/24
shy 64/21
side 16/5, 16/7, 65/17, 92/6, 102/12, 111/3, 112/1
sign 28/13, 45/5, 66/3, 87/6, 90/8
signature 64/16
signed 45/6, 90/4
significance 48/20, 48/21
signing 25/19, 28/11
similarities 24/18
simple 56/9, 96/2, 96/3
simplistic 33/13, 57/3
simplistically 56/22
single 29/16
single-site 21/18
sit 20/1, 33/23, 60/13, 101/14, 114/3
sitting 34/12, 43/9
situation 11/23, 15/21, 51/7, 53/7, 54/21, 80/1, 80/16, 82/10, 82/15
situations 16/2, 60/10, 60/18
six 5/1, 5/16, 6/17, 32/15, 45/8, 69/5, 69/23, 112/10, 112/15
six-page 20/20
size 13/7, 14/23, 48/7, 67/7, 76/11
skew 16/14, 44/18
skewed 34/4
skewing 16/9, 38/24
slam 84/19
slamming 64/22
slow 51/25, 72/1
slower 36/24, 47/25
slowly 112/14
small 7/17, 29/3, 30/3, 43/2, 60/23, 71/18, 72/6, 80/3, 83/18, 93/15, 93/25, 94/3, 94/6, 94/7, 98/10, 100/3
smaller 12/16, 13/17, 14/13, 14/25, 44/1, 44/2, 76/5, 79/21, 92/18
smooth 86/1
snaps 54/12
snapshot 62/6
snow 42/15
soapbox 18/8, 27/7, 31/11, 36/2
socked 94/9
software 26/3
solution 78/15
solutions 78/13, 78/20, 79/8, 79/14
solve 79/16
Sonat 2/16, 4/3, 85/2, 85/4, 104/21
song 27/25
sort 86/6
sounds 74/8, 91/8
sources 112/22, 113/2, 113/18
south 18/19
southeast 85/7
southern 40/1
speaker 33/14, 33/16, 90/13
specified 61/13
specifies 106/12
specify 61/23, 69/21
specifying 11/16, 12/3
speed 4/20
spent 9/11
spread 75/12, 93/5, 93/15
square 46/22
staff 12/22, 13/6, 21/8, 25/10, 84/1, 85/25, 91/1, 102/17, 105/24, 107/20, 115/5
Staff's 11/2, 91/18
staffing 17/9, 26/13
Staffs' 5/18, 109/7
stakeholders 68/8, 81/15, 82/19, 103/20
stall 96/21
stalled 97/3
stalling 71/20, 97/4
stalls 69/23
stance 80/10
stand 32/7
stand-alone 37/25
standards 78/5, 79/12, 90/21
standing 101/5
start 7/3, 7/4, 17/17, 33/10, 34/25, 35/5, 45/1, 45/10, 49/1, 61/21, 73/16, 85/10, 87/19, 90/15, 96/1, 97/7, 111/12, 111/13, 113/9, 113/25
started 11/13, 45/16, 47/19, 76/20, 85/6, 93/2
starts 35/11
state 7/7, 16/9, 18/8, 20/13, 20/15, 20/21, 21/13, 21/14, 21/20, 22/4, 22/5, 22/8, 22/9, 22/13, 23/17, 31/6, 34/22, 38/24, 55/9, 67/16, 74/11, 74/20, 75/6, 75/14, 82/13, 87/4, 89/11, 101/21, 106/10, 111/7, 115/1
state-owned 22/1
statement 37/10, 53/6, 57/3, 62/13, 64/13, 66/20, 74/1, 86/7, 86/11, 86/12, 87/3, 87/6, 87/14, 87/17, 102/19, 102/25
statements 6/17, 65/20
states 6/2, 20/19, 21/2, 39/25, 40/2, 44/25, 65/25, 67/10, 77/9, 78/3, 81/3, 84/4, 85/9, 108/16
statewide 90/19
statute 75/23
statutes 76/2
stay 41/4, 114/2
staying 41/5
stenographically 115/7
step 18/8, 34/7, 40/24, 48/14, 71/18
stepping 48/24
steps 10/10, 10/11
sticky 57/24, 97/8
stone 49/22
storage 45/24
story 31/10
stranded 49/10, 49/19, 96/24
street 16/22, 35/6, 104/18
strength 113/6
strengths 16/14
strike 35/25, 42/23
strong 44/21, 94/22, 95/2
structure 15/4, 15/5
struggled 12/18
struggling 59/7

STUBBLEFIELD 2/16, 87/25
stubborn 60/8
stuck 95/22
studies 36/8
study 96/18
stuff 4/18, 20/18, 30/21, 112/11
Sub 50/6
subdivisions 99/25
subject 79/19
submit 31/7, 109/9
submitted 110/14
subscribe 29/13
subsections 48/18
subsidized 94/3
subsidizing 92/23
success 74/4
successes 18/15
successful 20/19, 20/20
such-and-such 80/6
sufficient 5/20, 84/15
suggestions 96/8
summarize 37/13
summer 8/10, 8/15, 42/16
supplier 62/20
suppliers 26/19, 83/21
supply 8/1, 8/4, 16/23, 23/11, 25/10, 31/17, 31/20, 31/23, 33/3, 33/11, 41/25, 52/24, 57/1, 57/5, 57/13, 59/17, 61/3, 61/7, 61/10, 80/24, 81/2, 81/22, 102/2
support 9/5, 19/13, 20/10, 44/22, 45/21, 45/25, 85/18, 89/24, 91/6, 103/18, 109/24
supporting 28/6, 109/24, 110/10
surprise 40/2, 41/9
survival 76/23
survive 114/2, 114/5
switch 113/25
switched 11/6
sympathetic 4/15, 16/23, 35/3, 93/24, 96/5
System 4/5, 5/19, 13/5, 14/18, 15/24, 25/17, 26/6, 26/19, 29/20, 31/3, 31/17, 31/24, 32/3, 32/6, 33/12, 34/6, 56/5, 62/24, 62/25, 63/5, 70/17, 82/18, 82/23, 83/3, 93/22, 94/14, 94/17, 99/12, 99/17, 99/21, 104/24, 105/10
systems 31/14, 70/16, 79/18, 112/20

T

table 95/4, 101/11
Taj 42/24
Talk 21/11, 27/11, 73/20, 73/21, 99/24
talked 6/5, 37/24, 41/17
talking 13/17, 17/9, 25/2, 39/11, 39/16, 52/2, 60/20, 62/16, 97/21, 107/13, 107/23, 108/20
talks 68/16
Tallahassee 1/18, 7/8, 102/16
Tampa 3/11, 46/3, 56/4
tape 83/1
tariff 5/8, 14/24, 15/3, 15/4, 15/5, 15/13, 15/14, 21/12, 25/5, 25/25, 48/10, 50/11, 51/4, 51/19, 52/7, 53/13, 53/21, 53/23, 53/24, 54/1, 54/5, 54/9, 54/12, 54/21, 54/24, 55/6, 55/10, 55/14, 55/21, 56/14, 56/15, 62/1, 62/5, 65/14, 80/5, 80/7, 81/22, 85/23, 87/22, 91/22, 106/13
tariffs 13/22, 17/13, 55/4, 85/20, 87/19
task 64/10
tax 111/14
team 88/1
Technologies 2/14, 73/24
teeth 68/2
teleconferencing 2/6, 2/7
telephone 35/14, 45/16
telephonic 90/5
telephonically 88/18
ten 20/2, 70/15, 70/17, 108/4
tenth 45/14, 93/20
term 75/1
terminate 50/9, 50/15, 50/18, 50/20
terminated 78/11
terms 54/10, 77/23, 90/18
territories 21/21, 36/6
territory 24/20, 36/5
Texas 2/6, 2/25, 3/15, 76/18, 89/1, 89/25
Thank 3/16, 3/19, 4/8, 36/13, 76/13, 84/25, 85/1, 89/14, 105/12, 108/8, 109/5, 114/8, 114/10
Thanks 36/14, 91/12, 97/18
theoretically 41/5
theory 23/6
Thereupon 114/11
therm 11/3, 11/7
therms 9/7, 10/13, 21/19, 25/7, 38/1, 42/19
They've 6/10, 18/24, 18/25, 19/24, 19/25, 42/17, 44/7, 48/5, 92/22
third 50/9, 50/24, 51/11, 52/12, 57/6, 61/9, 61/11
third-party 78/17
thousand 76/12
three 5/7, 5/18, 20/24, 27/1, 27/2, 40/19, 43/1, 45/15, 45/17, 46/13, 61/6, 80/13
threshold 9/6, 10/12, 11/3, 11/20, 12/1, 12/9, 12/19, 21/21, 21/23, 22/23, 37/24, 38/11, 91/2, 103/19
thresholds 4/24, 7/21, 8/20, 38/24, 74/14, 76/5
threw 50/1
throughput 83/7
throw 100/23
thrown 101/11
thrust 9/24
tie 96/23
tied 71/17
tilting 16/24
TIME 1/14, 5/3, 5/13, 5/15, 5/17, 5/20, 6/4, 6/20, 9/12, 9/15, 18/12, 21/25, 22/16, 26/8, 26/23, 27/7, 27/16, 27/20, 29/12, 31/13, 31/20, 34/24, 35/21, 57/22, 80/14, 80/18, 81/17, 81/20, 82/4, 84/5, 90/2, 93/10, 94/19, 98/25, 101/25, 102/3, 104/15, 105/20, 106/20, 106/25, 109/11, 110/5, 111/19, 111/22, 115/5
times 57/14, 57/16, 57/18, 59/21
timid 13/10
timing 25/24, 70/14, 96/19, 103/8
token 42/23
TOM 2/9, 2/14, 8/24, 13/13, 18/9, 21/11, 42/7, 42/10, 58/7, 73/23, 74/19, 75/13
tool 60/17
tools 59/24
top 45/24, 98/17
touched 37/7, 39/6
tough 80/16
traditionally 23/16
training 44/7
transaction 78/21
transcribed 115/8
transcript 107/10, 109/12, 115/8
transcription 115/9
transcripts 107/12
transferring 90/21
transition 81/17, 86/2
transpire 59/22
transpires 40/5
transport 9/8, 9/10, 9/23, 10/3, 11/19, 13/14, 16/8, 21/20, 21/24, 22/15, 25/16, 30/2, 62/23, 63/2, 63/5, 76/22, 90/2, 94/18
Transportation 1/5, 4/22, 5/5, 7/15, 7/17, 9/4, 9/5, 9/14, 10/6, 14/24, 15/2, 15/14, 17/13, 21/12, 21/14, 23/15, 23/25, 25/6, 25/8, 26/1, 26/4, 26/11, 26/16, 28/7, 28/14, 28/16, 30/18, 36/10, 37/16, 37/22, 38/5, 38/9, 51/20, 54/11, 55/4, 56/10, 56/11, 56/17, 59/9, 59/16, 62/12, 62/14, 68/16, 68/17, 75/14, 78/22, 82/11, 82/17, 83/3, 98/11, 100/18, 112/21
transporting 17/22, 21/22, 25/13, 25/19, 29/24, 49/7, 93/3
treading 21/1
treat 66/12
trip 59/21
true 28/25, 34/19, 82/16, 94/5, 115/8
truth 36/1
tunnel 79/12
turn 3/4, 8/6, 8/11, 92/5, 98/24
turn-back 49/13
turned 8/9
turning 25/9, 96/20
two 8/3, 16/18, 25/10, 51/4, 52/9, 52/21, 58/16, 76/12, 78/14, 79/5, 107/10, 107/12, 109/11
two-thirds 61/10
type 11/9, 13/2, 22/6, 22/10, 74/20

U

unbundle 5/5, 5/11, 67/7, 101/17
unbundled 5/2, 5/17, 19/24, 37/11, 77/10, 80/3, 82/6, 82/19, 91/20, 108/17
unbundling 5/9, 5/25, 6/14, 15/6, 15/13, 19/4, 36/19, 39/17, 39/18, 45/24, 47/11, 47/22, 66/24, 67/13, 71/3, 77/4, 79/8, 79/25, 80/11, 80/18, 81/13, 81/25, 84/3, 84/12, 86/18
uncomfortable 72/7
unfair 104/22, 105/2
uniform 90/19
uniformly 104/9
unit 83/4, 83/7
United 85/9
unknown 13/10
unknowns 100/22, 101/6
Unlike 9/17
unreasonable 27/19, 86/9
upfront 34/1
upheld 94/23, 94/24, 95/1
upstream 63/6, 63/9
urge 68/20
usage 19/12, 22/18, 40/1, 42/13, 42/19, 43/16
User 90/14
Users 2/15, 76/17, 103/16
Utilities 2/9, 2/10, 2/12, 2/13, 4/4, 8/25, 13/5, 15/9, 16/3, 16/20, 19/13, 23/11, 35/24, 39/14, 48/11, 50/7, 58/8, 60/21, 63/21, 67/1, 67/6, 67/10, 70/4, 72/16, 78/13, 79/21, 80/11, 80/17, 81/8, 88/4, 91/15, 91/19, 98/21, 106/7, 106/20, 112/24, 113/6
utility 9/19, 11/20, 11/24, 15/5, 17/22, 38/11, 40/6, 41/13, 50/15, 51/16, 53/20, 56/9, 56/11, 56/17, 59/1, 62/13, 62/19, 64/4, 64/13, 64/17, 64/18, 66/8, 70/12, 70/19, 71/10, 79/18, 81/14, 81/25, 87/5, 104/24, 110/25, 112/20
utility's 41/16, 56/17, 91/24, 99/7
utility-specific 70/11
utilize 22/21

V

valid 70/17
value 18/22
values 43/16
vendor 78/16
vice-president 76/16
view 41/17, 79/6, 79/24
violating 60/16
vocal 17/25
volume 30/9, 107/16
volumes 20/18, 29/8
volumetric 7/20, 8/20, 91/4, 105/6
voluntarily 76/24

W

wait 48/1, 68/3
waited 83/25
waiting 26/7
watching 18/13
water 35/14, 43/1, 102/1
WATSON 2/11, 56/3
WAYNE 1/11, 2/2, 2/12, 4/8, 21/8, 23/12, 30/18, 36/17, 37/8, 39/6, 41/17, 88/21, 91/10, 91/16, 97/9, 97/15, 97/20, 102/15, 106/14, 110/4
Wayne's 31/10
week 6/9
Weekly 4/1
weeks 105/18, 107/10, 107/12, 108/4, 109/11
welcome 7/4
Wendy's 33/8
West 35/25
whim 68/3
wide 99/1
willing 14/10, 20/11, 30/17, 33/4, 41/13, 43/10
win-win 80/1
winds 25/20
winter 42/14
wisdom 41/24
wish 17/23, 66/8, 96/2, 109/12
wonder 102/17
wondered 43/22
word 49/19, 49/20, 64/15
worded 48/9, 53/10, 54/9, 54/23, 56/7, 56/22, 57/15
wording 51/11, 55/3, 56/20, 57/23, 58/3, 72/12, 87/11, 87/15
words 51/1, 53/9, 70/12, 70/14, 97/23
work 10/12, 32/2, 33/4, 38/11, 42/9, 43/20, 43/24, 44/19, 46/7, 47/22, 50/17, 51/7, 55/24, 62/5, 62/10, 72/12, 86/1, 90/23, 95/9, 95/10, 99/8, 99/10, 100/9, 101/9, 101/13, 103/25, 107/3, 110/12, 110/15, 110/18, 113/10, 113/12
workable 85/21
worked 114/10
working 3/4, 19/5, 33/3, 34/5, 50/25, 61/15, 61/17, 74/3, 75/18, 76/8
works 13/5, 42/8, 44/18, 44/19, 55/24, 60/6, 94/13, 107/8
WORKSHOP 1/9, 2/23, 4/2, 4/6, 4/14, 5/19, 6/23, 6/24, 10/8, 27/1, 103/2, 106/2, 107/13, 107/14, 109/9, 114/11, 115/4
workshops 5/7, 5/10, 10/9, 13/4, 17/11, 68/11
world 40/6, 66/16
worried 35/2, 43/12
worry 48/2, 98/13
worth 45/14, 59/23, 60/24, 66/2, 111/5
wrapped 55/17
writers 66/15
writing 37/5, 74/8
written 8/19, 90/5
wrong 28/21, 44/22, 44/24, 49/5
wrote 14/22, 60/1, 65/4, 68/18

X

x 45/13, 69/13, 69/22

Y

Y2K 26/5, 78/6, 78/12, 78/15, 78/16, 79/16
ya-dl 26/25
year 10/13, 10/22, 21/19, 26/7, 29/16, 33/25, 38/1, 49/14, 49/15, 70/21, 93/4, 98/24, 111/20, 112/9
years 5/2, 5/17, 5/18, 19/25, 20/1, 20/2, 20/6, 20/24, 27/1, 27/2, 27/17, 32/15, 34/5, 40/15, 41/11, 41/25, 42/2, 45/23, 69/6, 69/15, 69/24, 70/15, 70/17, 79/5, 80/13, 94/4, 96/4, 98/19, 99/9, 99/13, 111/24, 112/15
yell 31/21
York 19/22, 80/12, 80/17, 92/9