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BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

-----X  
: DOCKET NO. 020384-GU  
: In The Matter of  
: Petition by Tampa  
: Electric Company d/b/a  
: Peoples Gas System.  
: -----X

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PROCEEDINGS: TAMPA SERVICE HEARING  
BEFORE: COMMISSIONER J. TERRY DEASON  
COMMISSIONER MICHAEL A. PALECKI  
COMMISSIONER RUDOLPH "RUDY" BRADLEY  
DATE: Tuesday, September 24, 2002  
TIME: Commenced at 12:00 p.m.  
Concluded at 1:00 p.m.  
PLACE: DoubleTree Tampa Westshore  
Lake Forest Ballroom  
4500 West Cypress Street  
Tampa, Florida  
REPORTED BY: Donna W. Everhart, RMR  
Certified Shorthand Reporter  
Notary Public  
State of Florida at Large

BUREAU OF REPORTING

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APPEARANCES:

ADRIENNE E. VINING, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399, appearing on behalf of the Commission Staff.

JACK SHREVE, Public Counsel, Office of the Public Counsel, Room 812, 111 W. Madison Street, Tallahassee, Florida 32399, appearing on behalf of the Citizens of the State of Florida.

MATTHEW R. COSTA, TECO Energy, Inc., Post Office Box 111, Tampa, Florida 33601, appearing on behalf of Teco Energy.

ANSLEY WATSON, Macfarlane, Ferguson & McMullen, 2300 Park Tower, 400 North Tampa Street, Tampa, Florida 33602, appearing on behalf of TECO Energy.

ALSO PRESENT:

MICHAEL SPRINGER, FPSC Division of Economic Regulation.

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P R O C E E D I N G S

(Meeting convened at 12:00 p.m.)

COMMISSIONER DEASON: Call this hearing to order. Could I have the notice read, please.

MS. VINING: Pursuant to notice issued by the Clerk of the Florida Public Service Commission on August 9, 2002, a customer service hearing was called for Docket No. 020384-GU at this time and place. As stated in the notice, the purpose of this hearing shall be to take testimony from members of the public on the rates and service of Peoples Gas System.

The procedure at this hearing shall be as follows: The company will present a brief summary of its case, then the members of the public may present testimony. Members of the public who wish to present testimony are urged to appear promptly at each scheduled service hearing time, since the hearing may be adjourned early if no witnesses are present to testify. All witnesses shall be subject to cross-examination at the conclusion of their testimony.

COMMISSIONER DEASON: Thank you. I'm having difficulty seeing over the podium. Let me stand up for just a moment. First of all, can

1 everyone hear okay? I'm getting nods that everyone  
2 can hear. I think we've been advised to try to get  
3 the microphone fairly close. And probably for  
4 witnesses to come up, you probably want to get  
5 fairly close to the microphone. And we're  
6 competing with a little bit of noise, noise next  
7 door. I think that may be starting to quiet down.

8 I want to take just a moment. First of  
9 all, let me ask: Mr. Shreve, do you need to make  
10 an appearance? Do you want to make an appearance  
11 in this proceeding?

12 MR. SHREVE: Jack Shreve, Public Counsel,  
13 representing the Citizens of the State of Florida  
14 in opposition to the rate increase.

15 COMMISSIONER DEASON: Is there a  
16 representative here from Peoples Gas?

17 MR. COSTA: Yes, sir. Matt Costa from  
18 Peoples Gas, 702 North Franklin Street, Tampa,  
19 Florida 33602.

20 COMMISSIONER DEASON: Sir, how do you  
21 spell your last name?

22 MR. COSTA: C-O-S-T-A.

23 COMMISSIONER DEASON: Thank you.

24 MR. COSTA: Thank you.

25 COMMISSIONER DEASON: I'm going to take

1 just a moment and kind of -- first of all, let me  
2 introduce myself. My name is Terry Deason, a  
3 member of the Florida Public Service Commission.  
4 I'll be chairing the hearing today. Seated to my  
5 right is Commissioner Mike Palecki, and seated to  
6 my left is Commissioner Rudy Bradley. We will  
7 constitute the panel of commissioners which will be  
8 conducting this hearing today.

9 There are a number of hearings scheduled  
10 in this matter. And I believe if you will refer to  
11 the Special Report that is printed on blue paper,  
12 there is some valuable background information. I  
13 would recommend it to you. And it also has a  
14 schedule on the front page of other hearings which  
15 we have already conducted and future hearings which  
16 we will be conducting throughout the service  
17 territory involved for this particular proceeding.

18 I'd like to take this opportunity, first  
19 of all, to welcome you to this hearing, to let you  
20 know that we are interested in what you have to say  
21 about the service which is provided by this company  
22 and any comments that you have about the matter  
23 pending before the Commission. That is the purpose  
24 of this hearing is to give you an opportunity to  
25 present that information to the Commission.

1           Your testimony will become part of the  
2 record in this proceeding. For it to become part  
3 of the official record, it's necessary for you to  
4 take an oath and to provide what constitutes sworn  
5 testimony. This will become part of the official  
6 record of the proceeding.

7           We have a court reporter here who is  
8 recording all that is said. And this information,  
9 as I said, will become part of the record. It's  
10 available for the Commissioners and our staff, the  
11 parties, and everyone involved, and it's also  
12 available for members of the public to review as  
13 well if you wish to avail yourself of that choice.

14           Mr. Shreve, the public counsel, has made  
15 an appearance. He is representing customers in  
16 opposition to the requested rate increase. He also  
17 will be sponsoring the customer testimony. He has  
18 a list of individuals.

19           When he calls your name, I would ask that  
20 you come forward to the podium, speak directly into  
21 the microphone. Begin by giving us your name and  
22 your address. And if you think that it would be  
23 helpful to the court reporter so it is recorded  
24 accurately, you may wish to spell your name.  
25 That's your choice as well.

1           We ask that you proceed with your  
2 statement, and at the conclusion there may be some  
3 clarifying questions, so wait for just a moment.  
4 Those questions may come either from the  
5 Commissioners, from our staff, or from the company  
6 or from Mr. Shreve.

7           I believe we're going to hear a brief  
8 opening statement from the company, which will give  
9 some background information and some explanation  
10 from their point of view as to the necessity for  
11 this case. And then Mr. Shreve will be given an  
12 opportunity to make a brief -- a brief statement as  
13 well.

14           At the conclusion of those statements, I  
15 will swear in the witnesses, and Mr. Shreve will  
16 then call names of individuals to come forward.

17           Have I excluded anything that we need to  
18 review at this point?

19           MS. VINING: No.

20           COMMISSIONER DEASON: I think we've  
21 covered everything. Very well. Once again,  
22 welcome, and we anxiously await your comments.

23           Company, you may proceed with your  
24 opening statement.

25           MR. COSTA: Thank you, sir. Peoples Gas



1 System operates the largest retail natural gas  
2 distribution system in the state of Florida,  
3 serving approximately 273,000 customers.

4 The company provides natural gas service  
5 to residential, commercial and industrial customers  
6 within the adjacent to -- within and adjacent to  
7 Miami, North Miami, Broward County, Palm Beach  
8 Gardens, Fort Myers, Naples, Avon Park,  
9 St. Petersburg, Tampa, Lakeland, Orlando, Eustis,  
10 Daytona Beach, Jacksonville, Sarasota, Bradenton,  
11 Ocala, and Panama City.

12 Peoples Gas System merged with and into  
13 Tampa Electric Company on June 16, 1997. It added  
14 the Ocala and Panama City areas to its system as of  
15 June 30, 1997, when the former West Florida Natural  
16 Gas Company was merged with and into Tampa Electric  
17 Company.

18 Since the mergers, Peoples' natural gas  
19 operations have been conducted as a separate  
20 operating division of Tampa Electric.

21 Peoples Gas was last granted permanent  
22 rate relief effective September 1992 and at that  
23 time was authorized a 9.75 percent overall return.  
24 Currently the company's achieved return is 7.81  
25 percent, and it continues to deteriorate. Without

1 rate relief, the achieved return for the projected  
2 test year will decline further to 6.66 percent.

3 In the 10 years since Peoples last rate  
4 case, many factors have contributed to the  
5 necessity for the company to now seek rate relief.

6 The consumer price index during this  
7 period has increased more than 30 percent, which  
8 has not only required that the company pay more for  
9 the goods and services it purchases, but has also  
10 contributed to a steady increase in the level of  
11 the company's direct and indirect payroll costs.

12 Additionally, health care costs continue  
13 to escalate at a rate significantly higher than  
14 that of inflation. During this 10-year period  
15 there have also been major changes in accounting  
16 regulations as well as increases in various taxes,  
17 all of which have contributed to the increase in  
18 the cost to provide service to our customers.

19 In spite of increased costs, the company  
20 has been able to continue to expand its pipeline  
21 distribution system in order to make natural gas  
22 available as an energy choice to more customers.

23 Since its last rate case, the company,  
24 through growth and acquisition, has expanded its  
25 pipeline system from approximately 5,000 miles to

1 approximately 9,000 miles and has added more than  
2 100,000 customers.

3 At the same time, the company has strived  
4 to improve the efficiency and economy of its  
5 operations without compromising the level of  
6 service rendered to its customers.

7 It is essential that the company be  
8 permitted to recover its cost of providing service  
9 and earn a fair and reasonable return in order to  
10 maintain its financial integrity to enable it to  
11 maintain and raise new capital as needed for public  
12 service.

13 Such financial integrity bears directly  
14 upon Peoples' ability to furnish service to its  
15 present and future customers, upon the cost of such  
16 service rendered and upon the continuity,  
17 efficiency, and extension of such service.

18 In short, Peoples' financial integrity  
19 depends upon whether or not the rates that it is  
20 allowed to charge are adequate under efficient  
21 management to produce earnings in an amount  
22 sufficient to reasonably compensate its investors  
23 for the use of their property by the public and to  
24 encourage them to make further investments in the  
25 business as needed.

1           In summary, Peoples Gas has made a  
2           concerted effort over the past ten years to  
3           maintain its current level of rates in the face of  
4           ever-increasing costs. However, it has reached the  
5           point where the company's rates must be increased  
6           so that it may continue to render efficient service  
7           to its customers.

8           In essence, the service rates currently  
9           in use by Peoples Gas are totally inadequate to  
10          permit it to cover operating costs and earn a  
11          reasonable rate of return.

12          In view of the current economic  
13          conditions, rates predicated on a rate of return of  
14          9.29 percent should be approved so that the company  
15          may have an opportunity to cover operating costs  
16          and earn a fair and reasonable rate of return.

17          Thank you.

18                    COMMISSIONER DEASON: Thank you.  
19          Mr. Shreve.

20                    MR. SHREVE: Thank you, Mr. Chairman.  
21          This is a public hearing, so I'll be brief. We've  
22          already filed in this case. We're preparing  
23          testimony. And we plan to take issue with quite a  
24          few of the aspects of this case.

25                    The one that I'd like to mention most of

1 all at this point, the company has already said the  
2 forecast is a profit or a rate of return of  
3 6.66 percent. That comes out approximately a  
4 profit or return on equity of approximately  
5 6.72 percent. They're asking that that be raised  
6 to 11.75 percent return on equity or profit.

7 In today's economy with the interest  
8 rates and inflation the way it is, it's totally  
9 uncalled for, and this burden should not be placed  
10 on the customers. We plan to take issue with that  
11 and several other points in the case. Look forward  
12 to hearing from you. Thank you very much.

13 COMMISSIONER DEASON: Thank you,  
14 Mr. Shreve. Staff, you don't have an opening  
15 statement; correct?

16 MS. VINING: No.

17 COMMISSIONER DEASON: Thank you. At this  
18 point, I'm going to ask all members of the public  
19 who wish to make a presentation to the Commission  
20 to please stand and raise your right hand.

21 (Witnesses sworn collectively.)

22 COMMISSIONER DEASON: Thank you very  
23 much, sir. Mr. Shreve, you may call your witness.

24 MR. SHREVE: Mr. Morris.

25 THEREUPON,

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WAYNE MORRIS

was called as a witness on behalf of the Citizens of the State of Florida and, having been duly sworn, testified as follows:

WITNESS MORRIS: Well, first off, let me say thank you for giving me the opportunity to at least speak. I also must say, unfortunately, I'm a little disappointed that there aren't more people at a hearing like this.

COMMISSIONER DEASON: Sir, could I have your name and address before you begin.

WITNESS MORRIS: Certainly. It's Wayne Morris, 9295 125th Avenue, Largo, Florida.

COMMISSIONER DEASON: Thank you.

WITNESS MORRIS: However, my first remarks I still feel very comfortable stating. In regards to the rate increase, I don't know that I necessarily have any problem with the company needing additional funds to recover its costs or, for that matter, look at the additional cost of supplying energy. My issue, though, would be one of making sure that the Commission doesn't necessarily approve an inappropriate or inequitable amount of an increase.

One of the questions I would ask both the

1 company and the Commissioners here: Does anyone  
2 currently know what the disparity is between the  
3 rates that the largest customers pay and the  
4 average customer, such as myself or, for that  
5 matter, everyone in the room here?

6 COMMISSIONER DEASON: Let me say that it  
7 is a policy of the Commission and, of course, what  
8 happens in this case depends upon the evidence that  
9 we receive, and our decisions are made based upon  
10 that evidence.

11 But historically you look at past cases,  
12 and it's the policy of the Commission to look at  
13 the cost of providing service to different rate  
14 classes. And there are intricate and complicated  
15 cost of service studies provided conducted by  
16 engineers, accountants, and economists, and we look  
17 at that information.

18 And to the extent that one class of  
19 customers, costs more to serve those than it does  
20 other classes of customer, we try to take that into  
21 consideration. We also look at burdens on  
22 customers, impacts on conservation.

23 There's a whole myriad of things that go  
24 into the overall evaluation, but one of the primary  
25 drivers of that is the cost of providing service to

1 different classes of customers. And if Mr. Shreve  
2 or if the company wants to add anything in response  
3 to that, I'll certainly give them an opportunity to  
4 do that.

5 MR. SHREVE: I think that's essentially  
6 the way it will be handled by the Commission. We  
7 do, of course, have some argument about those costs  
8 that they're putting in.

9 COMMISSIONER DEASON: Absolutely. There  
10 are different -- Mr. Shreve sometimes takes issue  
11 with the level of the cost and how those costs are  
12 allocated. And it goes -- goes into the evidence  
13 which we consider in trying to come up with an  
14 equitable distribution of their responsibility.

15 WITNESS MORRIS: Fair enough. Thank you,  
16 Commissioner Deason. I appreciate you letting me  
17 know that.

18 What I would like to share, though, is  
19 from the informational packet that was provided to  
20 all customers. This would have been in the most  
21 recent billing.

22 Some real quick calculations show that  
23 the average customer pays 210 percent more; to be  
24 exact, 210.37 percent more than the average large  
25 customer in the geographic region that the service



1 is provided.

2 Under the new rate plan, that increase is  
3 going to go to 273 percent. I don't know of  
4 anything else that I buy on a daily basis that has  
5 such a huge disparity. And they're putting the  
6 responsibility of that additional cost on the  
7 average consumer.

8 In fact, if you actually take a look at  
9 the own information -- excuse me, the information  
10 that was provided both in this packet and also in  
11 the blue handout. First off, I'd point out that  
12 the blue handout is inconsistent with the  
13 information that was provided in this packet.  
14 So --

15 COMMISSIONER DEASON: Thank you for  
16 pointing that out. And we will definitely have our  
17 staff make a comparison of what was -- what you're  
18 holding up is the insert which was included, the  
19 notice of this hearing which was included in your  
20 bill; is that correct?

21 WITNESS MORRIS: That's a true statement.

22 COMMISSIONER DEASON: Okay. We will look  
23 at that. In fact, if you don't mind, at the end of  
24 the hearing, if you could show that disparity to  
25 our staff, they will definitely want to follow up

1 on that and make sure we have accurate information  
2 being communicated to customers.

3 WITNESS MORRIS: Certainly. The example  
4 they use is on 20 therms. And the 20 therms line  
5 of information in the public notice hearing and the  
6 one in the blue sheets is inconsistent regardless  
7 of which section you use, the West Florida Division  
8 or the Nonwest Florida Division.

9 MR. SHREVE: Pardon me, Commissioner, if  
10 we could, I haven't seen this, and I don't know if  
11 the staff has. I'd like to see if the company  
12 could furnish us with copies of that information.  
13 And if it's all the same, we'll just need the one.  
14 If there are different parts of it sent out to  
15 different customer groups, we'd like to know that  
16 too, go ahead and get that.

17 COMMISSIONER DEASON: Yes, I think that's  
18 correct. And also I think it probably would be  
19 helpful if there is a disparity, we need an  
20 explanation for that. If it's an error, it needs  
21 to be corrected, or if there's some way it can be  
22 explained, we need that explanation.

23 I would ask the company to also review  
24 that information and be prepared to explain that in  
25 the next series of hearings that we have. If there

1 is, in fact, a disparity, how we -- how that  
2 disparity was calculated, and if it's an error,  
3 what are the correct numbers.

4 It may be that we made an error. I'm not  
5 saying who's at fault. I don't know. It may be an  
6 error in our blue handout. It may be an error in  
7 yours. It may just be a situation where there were  
8 certain amounts included or excluded from one or  
9 the other. And we'll try to determine that. And  
10 hopefully we might can give you an answer before  
11 you leave today.

12 WITNESS MORRIS: That would be great. I  
13 also have two sheets of paper that I just kind of  
14 generated based upon the public notice hearing  
15 which I'd only be too happy to share.  
16 Unfortunately, I didn't make copies for everyone.  
17 As I say, I've never been to one of these hearings,  
18 so I didn't know what was the practice.

19 Anyhow, what I did very quickly was just  
20 chart what the percentage increase is for different  
21 levels of customers. It's my understanding that  
22 based upon the new rate increase, that there would  
23 actually be seven different types of customers; is  
24 that correct?

25 MR. COSTA: I believe so.

1                   WITNESS MORRIS:  As part of that, the two  
2 customers that the majority of us would fall into  
3 are going to have the largest increase.  Customers,  
4 residential customers are going to have an 18  
5 percent, and then SGS customers, which is the next  
6 level class, would have almost a 22 percent; to be  
7 exact, 21.59.

8                   .           The largest customers on the far end  
9 actually have a decrease in their cost of being  
10 provided the same energy.

11                   I actually happen to have the opportunity  
12 to pay my bill.  Unfortunately, I think there's a  
13 lot of people in the state of Florida that are on  
14 fixed incomes and don't necessarily have the  
15 opportunity to be able to quickly absorb a rate  
16 increase such as the one that they're looking at.

17                   And so I think that they're, once again,  
18 as I used earlier the term of equity or addressing  
19 the disparity here in terms of the increase is what  
20 needs to be looked at.

21                   And unfortunately, I'm not necessarily  
22 the most knowledgeable person to be able to address  
23 this, but I spent probably about a half hour, 45  
24 minutes looking at this on the day that I received  
25 it in my statement.  And I would only ask that

1 everyone in this room spend the same amount of time  
2 at least evaluating this because it doesn't seem to  
3 be equitable.

4 Last thing in closing of my comments,  
5 using the example, and I'll put this in more  
6 concrete numbers, of a residential customer using  
7 75 therms of energy, under the proposed new plan,  
8 that customer would receive a bill in theory, based  
9 upon the information in the public hearing notice,  
10 of \$120.45.

11 The largest customer for the same  
12 quantity of energy consumed would receive a bill of  
13 \$43.98. That's a 273 percent difference. That  
14 just doesn't seem to be equitable in the way I look  
15 at things.

16 If you have any questions, I'd only be  
17 too happy to answer them.

18 COMMISSIONER DEASON: Let me ask a quick  
19 question. The comparison that you just gave, did  
20 that include what are referred to as customer  
21 charges, the up-front flat amount to be a customer  
22 that's part of the calculation?

23 WITNESS MORRIS: It's based upon the  
24 public hearing document that was supplied in the  
25 bill. So as far as to your point, Mr. Deason --

1 Commissioner Deason, I'm sorry -- earlier when you  
2 said that there's a lot of different variables that  
3 go into the calculation, I would only have to rely  
4 on the folks from the utility commission or the  
5 company to tell me what's necessarily in all the  
6 different line items that comprise a cost.

7 COMMISSIONER DEASON: Very well. We'll  
8 try to make that determination and hopefully can  
9 give you the information you're seeking.

10 WITNESS MORRIS: Well, actually, I would  
11 hope that we'd supply it to the public.

12 COMMISSIONER DEASON: I agree.

13 WITNESS MORRIS: And I wish more of them  
14 would have been here.

15 COMMISSIONER DEASON: I agree. And  
16 that's why I have asked the company to make sure  
17 that if there is a disparity, that they're aware of  
18 it and that it is explained and, if necessary, if  
19 it is -- if there is something incorrect in the  
20 notice that they sent, you know, there is an  
21 obligation to make sure that accurate information  
22 is provided. But I'm not jumping to any  
23 conclusions. We'll just try to determine what the  
24 situation is.

25 WITNESS MORRIS: Fair enough.

1 MR. SHREVE: Mr. Chairman, not a  
2 question, but I believe you said you had two sheets  
3 that you didn't have copies of. Would you mind us  
4 taking those and putting them in the record here so  
5 we'd have access to them?

6 WITNESS MORRIS: Oh, no. Not a problem.  
7 One is just a graphical representation of the  
8 current versus proposed disparity of rates across  
9 all of the different seven customer category types.  
10 And then one is actually showing the percentage of  
11 the change both up and down or relative to the  
12 different classes of service and the proposed rate  
13 change.

14 MR. SHREVE: Mr. Chairman, I'd ask that  
15 those be placed in the record.

16 COMMISSIONER DEASON: What I'm going to  
17 ask is, Mr. Shreve, if you don't mind, if you could  
18 get that information from the witness, we'll go  
19 ahead and identify it. And if you could then  
20 provide a copy to the court reporter. And then at  
21 a subsequent service hearing after everyone has had  
22 a chance to review it, I'll give you the  
23 opportunity to move that into the record.

24 MR. SHREVE: All right.

25 COMMISSIONER DEASON: Thank you.

1 WITNESS MORRIS: Thank you.

2 MR. SHREVE: That's the only witness that  
3 signed up to speak.

4 COMMISSIONER DEASON: Okay. Well, let  
5 me -- let me take this opportunity to ask: Is  
6 there anyone else who wishes to address the  
7 Commission? As you can tell, we're friendly, and  
8 there's nothing to be concerned about. We want to  
9 get information. That is the whole purpose of this  
10 hearing is to get information which will be useful  
11 to us as we evaluate this case.

12 So I would ask you to please come  
13 forward, just raise your hand, and this is your  
14 opportunity.

15 Let the record reflect that there are no  
16 other individuals from the public who wish to make  
17 a statement. Is there anything that -- before we  
18 conclude, is there -- let's do this. It's still --  
19 it's still quite early. There may be some  
20 individuals who are planning to join us on their  
21 lunch hour, and maybe they are just delayed for a  
22 moment.

23 Let's stand in recess for 15 minutes to  
24 make sure if there is someone en route that we give  
25 them an opportunity to address us. So we will



1 stand in recess for 15 minutes, and then we will  
2 reconvene, and we will once again ask if there are  
3 witnesses to testify. So we're in recess at this  
4 point for 15 minutes.

5 (Brief recess from 12:25 p.m. to 12:45  
6 p.m.)

7 COMMISSIONER DEASON: We're going to go  
8 back on the record. I think Commissioner Palecki  
9 will be joining us shortly. I think Commissioner  
10 Bradley has something he needs to say at this  
11 point.

12 COMMISSIONER BRADLEY: Yes. And really  
13 it's more in the form of a -- of a question just to  
14 clarify something was -- something that was said  
15 earlier by the gentleman who testified, and it  
16 relates to the information that's in the brochure.

17 It's not -- I was just wondering if  
18 Peoples Gas could come and maybe give us an  
19 explanation as to why there's a difference between  
20 what's in these brochures and what's in this  
21 particular printout as it relates to the PGA and  
22 that is the cents per therm.

23 MR. WATSON: Yes.

24 COMMISSIONER DEASON: Could you identify  
25 yourself, please.

1 MR. WATSON: Yes. I'm Ansley Watson,  
2 Jr., of the law firm of Macfarlane, Ferguson &  
3 McMullen in Tampa appearing for Peoples Gas System.

4 We think that the discrepancy between the  
5 bill stuffer notices that went out that Mr. Morris  
6 had and the blue sheet prepared by the Commission  
7 staff for this hearing probably resides in the  
8 level of the PGA or purchased gas adjustment that  
9 was used for purposes of comparing the amount of  
10 the bill without the increase and the amount of the  
11 bill with the increase.

12 My understanding is -- and we'll verify  
13 all this -- is that the blue sheet that was  
14 distributed this morning at the hearing used a  
15 September 2002 PGA factor, while the bill stuffers  
16 distributed by the company with the customers'  
17 bills which were prepared earlier probably used the  
18 fuel factor for August.

19 The PGA factor changes sometimes every  
20 month. The Commission approves a cap that can be  
21 used by the company to recover its costs of  
22 purchased gas as simply a pass-through to the  
23 customer. And gas utilities such as Peoples are  
24 permitted by the Commission to flex downward or  
25 upward each month in order to more accurately make

1 an effort to recover their purchased gas costs.

2 In any event, we believe that is the  
3 difference between the two pieces, but we will --  
4 we will verify what the difference is and the  
5 discrepancy. If we've made a mistake, we'll  
6 identify what that is. We don't think we have.

7 If we identify the reason for the  
8 discrepancy, we will advise the Commissioners in  
9 writing along with Mr. Shreve's office, and we'll  
10 also copy Mr. Morris on that -- that explanation.

11 COMMISSIONER DEASON: Thank you,  
12 Mr. Watson. Any questions for Mr. Watson?

13 COMMISSIONER BRADLEY: Just one question  
14 just to make sure that I understand what you --  
15 what you just said. I do, but I just want to make  
16 sure.

17 So basically what you -- your explanation  
18 is that the purchased gas cost can vary from  
19 month-to-month based on the cost of doing business  
20 as it relates to Peoples purchasing gas from  
21 supplies.

22 MR. WATSON: That's correct. The mix of  
23 gas supplies. And, of course, this is all dealt  
24 with in the purchased gas adjustment docket and is  
25 not really an issue in this case, but for purposes

1 of letting a customer know how their bill might  
2 change as a result of this increase, it makes no  
3 sense to compare the service rates alone, which is  
4 what this proceeding is all about.

5 You need to look at the total amount of  
6 the bill that would include the per-therm base  
7 rate, the customer charge, and all the other  
8 add-ons, such as energy conservation, and the fuel  
9 cost, conservation and the fuel cost being a direct  
10 pass-through where the company earns no return,  
11 just to let the customer know what -- how many  
12 dollars his bill is likely to increase if the  
13 increase sought by the company is approved.

14 And, yes, the costs of purchased gas vary  
15 from month-to-month and even more so, Commissioner  
16 Bradley, the through-put of gas on the company's  
17 system can vary markedly not only from  
18 month-to-month but week-to-week and day-to-day and  
19 maybe even hour-to-hour depending on what the  
20 weather is and other factors that can influence how  
21 much customers buy.

22 All you can do is estimate that in  
23 advance for purposes of setting a factor to recover  
24 your cost. And if the consumption by customers is  
25 less, you will have recovered less of the cost than

1 you had projected would be recovered. If it's  
2 more, you may have over-recovered those costs and  
3 need to adjust what you charge in future months to  
4 get closer to zeroing out your purchased gas cost  
5 and your purchased gas cost recovery.

6 COMMISSIONER DEASON: Mr. Shreve, do you  
7 have any -- I'm sorry, Commissioner Bradley, are  
8 you concluded?

9 COMMISSIONER BRADLEY: I'm fine.

10 COMMISSIONER DEASON: Very well.

11 Mr. Shreve, do you have any questions for  
12 Mr. Watson?

13 MR. SHREVE: No. No questions,  
14 Commissioner. We have furnished copies to everyone  
15 of the documents of Mr. Morris, and we'd like to  
16 have those moved into the record, please.

17 COMMISSIONER DEASON: Okay. The company  
18 has those; is that correct, those exhibits?

19 MR. WATSON: We have them. We're not  
20 prepared to address them at this time, but, again,  
21 we will address them.

22 COMMISSIONER DEASON: Can you address  
23 those at the evening hearing whether they're --  
24 whether you're going to object to their -- I'm  
25 going to go ahead and identify them for purposes of

1 the record. We can identify -- Mr. Shreve, is it  
2 one page or two pages of exhibits?

3 MR. SHREVE: Two separate pages.

4 COMMISSIONER DEASON: Is it all right to  
5 identify that as a composite exhibit?

6 MR. SHREVE: No problem.

7 COMMISSIONER DEASON: Okay. We'll  
8 identify that as Composite Exhibit 1. I believe  
9 it's the first identified exhibit in these  
10 proceedings. If that is not the case, we will  
11 correct the numbering, but I believe this is  
12 probably the first exhibit. We will identify it as  
13 Exhibit 1.

14 Mr. Watson, I would just ask that if you  
15 can review that exhibit and be prepared at  
16 tomorrow's hearing to -- I'll let Mr. Shreve renew  
17 his motion to have that admitted, and if there's an  
18 objection, you can state it. If there is no  
19 objection, well, then obviously it would be  
20 admitted into the record. If there is an  
21 objection, we'll hear the nature of the objection  
22 and then determine whether it goes into the record.

23 Let me -- at this point, let me ask: Are  
24 there any members of the public who have joined us  
25 who wish to make a statement to the Commission? If

1 you would just raise your hand, identify yourself,  
2 and we would give you that opportunity.

3 Let the record reflect that there are no  
4 other members of the public who have joined us to  
5 testify. I believe the notice states that we will  
6 hear all witnesses until they are exhausted. The  
7 list is exhausted. We also took a recess for other  
8 folks to come. I think no one else has joined us.

9 We appreciate, for those of you who did  
10 join us -- Mr. Morris; is that correct? We  
11 appreciate you coming and pointing some things out  
12 to us. We hope that we've clarified it.

13 If there's any additional information  
14 that comes to light in the matter which you brought  
15 forward, we will be communicating that with you.  
16 If there is an error that's got to be -- error that  
17 has to be corrected, we will communicate that to  
18 all customers.

19 I believe, though, that -- and we're  
20 going to confirm this -- it appears it's just a  
21 fluctuation in the PGA from month-to-month is the  
22 discrepancy which you identified.

23 With that, we will adjourn this hearing,  
24 and we will reconvene tomorrow in Orlando. Thank  
25 you-all.

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(Whereupon, the hearing concluded at 1:00 p.m.)



1 F L O R I D A )

2 : CERTIFICATE OF REPORTER

3 COUNTY OF PINELLAS )

4

5 I, Donna W. Everhart, CSR, RPR, CP, CM,


6 DO HEREBY CERTIFY that the TAMPA SERVICE  
7 HEARING in this cause, Docket No. 020384-GU, was  
8 heard by the Florida Public Service Commission at  
9 the time and place herein stated; it is further

10 CERTIFIED that I stenographically  
11 reported the said proceedings; that the same has  
12 been transcribed under my direct supervision, and  
13 that this transcript, consisting of 32 pages,  
14 inclusive, constitutes a true transcription of my  
15 notes of said proceedings.

16 DATED THIS 2nd day of October, A.D.,  
17 2002.

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21 \_\_\_\_\_  
22 Donna W. Everhart, RMR  
23 Notary Public, State of Florida  
24 Commission No.: DD 063529  
25 My Commission Expires: 12/8/2005

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