

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 020384-GU

In the Matter of

PETITION FOR A RATE INCREASE
BY TAMPA ELECTRIC COMPANY D/B/A
PEOPLES GAS SYSTEM.

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PROCEEDINGS: PANAMA CITY SERVICE HEARING

BEFORE: CHAIRMAN LILA A. JABER
COMMISSIONER J. TERRY DEASON
COMMISSIONER BRAULIO L. BAEZ

DATE: Tuesday, October 22, 2002

TIME: Commenced at 5:10 p.m., CST
Concluded at 5:25 p.m., CST

PLACE: Holiday Inn Select
2001 North Cove Boulevard
Panama City, Florida

REPORTED BY: JANE FAUROT, RPR
Chief, Office of Hearing Reporter Services
FPSC Division of Commission Clerk and
Administrative Services
(850) 413-6732

DOCUMENT NUMBER DATE
11555 OCT 23 02
FPSC-COMMISSION CLERK

1 APPEARANCES:

2 MATTHEW COSTA, TECO Energy, Inc., P.O. Box 111,
3 Tampa, Florida 33601-0111, appearing on behalf of Peoples
4 GasSystem.

5 H. F. MANN, Associate Public Counsel, Office of
6 Public Counsel, 111 West Madison Street, Room 812, Tallahassee,
7 Florida 32399-1400, appearing on behalf of the Citizens of the
8 State of Florida.

9 Adrienne Vining, Florida Public Service Commission,
10 Office of the General Counsel, 2540 Shumard Oak Boulevard,
11 Tallahassee, Florida 32399-0870, appearing on behalf of the
12 Commission Staff.

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P R O C E E D I N G S

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2 CHAIRMAN JABER: We are going to go ahead and call
3 the hearing to order. Can you hear me? Great.

4 Counsel, go ahead and read the notice, and we do have
5 some announcements to make.

6 MS. VINING: Pursuant to notice issued by the Clerk
7 of the Florida Public Service Commission on August 9th, 2002,
8 the customer service hearing was called for Docket Number
9 020384-GU at this time and place. As stated in the notice, the
10 purpose of this hearing shall be to take testimony from members
11 of the public on the rates and service of Peoples Gas System.

12 The procedure at this hearing shall be as follows:
13 The Company will present a brief summary of its case, and then
14 the members of the public can present testimony. Members of
15 the public who wish to present testimony are urged to appear
16 promptly at each scheduled service hearing time since the
17 hearing may be adjourned early if no witnesses are present to
18 testify. All witnesses shall be subject to cross examination
19 at the conclusion of their testimony.

20 THE COURT: Thank you. Let me just introduce myself
21 for purposes of the record, and my colleagues here with me. I
22 am Lila Jaber, I am the Chairman of the Public Service
23 Commission. To my right is Commissioner Terry Deason, and to
24 my left is Commissioner Braulio Baez. We will be the panel
25 that presides over tonight's service hearing. I need to ask,

1 though, for purposes of the record, are there any customers who
2 wish to testify before us tonight at the service hearing?

3 Let the record reflect that there are no customers
4 in the audience who wish to testify tonight. We will, though,
5 take appearances, allow the Company an opportunity to put their
6 opening statements into the record if they wish. I would like
7 to break after we do that for another ten minutes to determine
8 whether Public Counsel and customers do show up a little bit
9 late. We will go ahead and take their opening statements and
10 their testimony at that time.

11 With that, let's start with appearances and then
12 opening statements.

13 MR. COSTA: Matt Costa on behalf of Peoples Gas
14 System, 702 North Franklin Street, Tampa, Florida 33602.

15 MS. VINING: Adrienne Vining, appearing on behalf of
16 the Commission Staff.

17 CHAIRMAN JABER: Thank you.

18 Mr. Costa, did you want to go ahead and read an
19 opening statement or make your opening statement part of the
20 record?

21 MR. COSTA: If we could insert it into the record as
22 read, that would be fine with Peoples.

23 CHAIRMAN JABER: We will do that. Make sure that the
24 court reporter has a copy of that, and your opening statement
25 will be inserted into the record as though read.

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MR. COSTA: Thank you.

CHAIRMAN JABER: Thank you.

DOCKET NO. 020384-GU**STATEMENT OF PEOPLES GAS SYSTEM, INC.**

Peoples Gas System operates the largest retail natural gas distribution system in the State of Florida, serving approximately 273,000 customers. The Company provides natural gas service to residential, commercial and industrial customers within and adjacent to Miami, North Miami, Broward County, Palm Beach Gardens, Ft. Myers, Naples, Avon Park, St. Petersburg, Tampa, Lakeland, Orlando, Eustis, Daytona Beach, Jacksonville, Sarasota, Bradenton, Ocala, and Panama City.

Peoples Gas System merged with and into Tampa Electric Company on June 16, 1997. It added the Ocala and Panama City areas to its system as of June 30, 1997 when the former West Florida Natural Gas Company was merged with and into Tampa Electric Company. Since the mergers, Peoples' natural gas operations have been conducted as a separate operating division of Tampa Electric.

Peoples Gas was last granted permanent rate relief effective September 1992, and at that time was authorized a 9.75% overall return. Currently, the Company's achieved return is 7.81% and it continues to deteriorate. Without rate relief, the achieved return for the projected test year will decline further to 6.66%.

In the 10 years since Peoples' last rate case, many factors have contributed to the necessity for the Company to now seek rate relief. The

Consumer Price Index during this period has increased more than 30%, which has not only required that the Company pay more for the goods and services it purchases, but has also contributed to a steady increase in the level of the Company's direct and indirect payroll costs. Additionally, health care costs continue to escalate at a rate significantly higher than that of inflation. During this 10-year period, there have also been major changes in accounting regulations, as well as increases in various taxes, all of which have contributed to the increase in the cost to provide service to our customers.

In spite of increased costs, the Company has been able to continue to expand its pipeline distribution system in order to make natural gas available as an energy choice to more customers. Since its last rate case, the Company, through growth and acquisition, has expanded its pipeline system from approximately 5,000 miles to approximately 9,000 miles and has added more than 100,000 customers.

At the same time, the Company has strived to improve the efficiency and economy of its operations without compromising the level of service rendered to its customers. It is essential that the Company be permitted to recover its cost of providing service and have fair and reasonable ^{rates} in order to maintain its financial integrity to enable it to maintain and raise new capital as needed for public service. Such financial integrity bears directly upon Peoples ability to furnish service to its present and future customers, upon the cost of such service rendered, and upon the continuity, efficiency and extension of such service. In short, Peoples' financial integrity depends upon whether or not the rates that it is allowed to charge are adequate under

efficient management to produce earnings in an amount sufficient to reasonably compensate its investors for the use of their property by the public, and to encourage them to make further investments in the business as needed.

In summary, Peoples Gas has made a concerted effort over the past 10 years to maintain its current level of rates in the face of ever increasing costs. However, it has reached the point where the Company's rates must be increased so that it may continue to render efficient service to its customers. In essence, the service rates currently in use by Peoples Gas are totally inadequate to permit it to cover operating costs and earn a reasonable rate of return. In view of current economic conditions, rates predicated on a rate of return of 9.29% should be approved so that the Company may have an opportunity to cover operating costs and earn a fair and reasonable rate of return.

1 CHAIRMAN JABER: Is there anyone else that needs to
2 make an appearances here tonight?

3 We are going to take a ten-minute break, and come
4 back at 5:25 by my watch. Thank you all.

5 (Recess.)

6 CHAIRMAN JABER: Let's get back on the record,
7 please.

8 Public Counsel, would you like to go ahead and make
9 an appearance?

10 MR. MANN: Yes. My name is Rick Mann. I am with the
11 Office of Public Counsel. We represent the citizens in the
12 State of Florida. We are at 111 West Madison Street, Suite
13 812, Tallahassee, Florida 32399-1400.

14 CHAIRMAN JABER: Thank you, sir. Do you have an
15 opening statement you would like to make?

16 MR. MANN: No, ma'am, not really. What I would like
17 to find out is whether or not there are any customers of
18 Peoples Gas here. (Pause.)

19 And, if not, then I will forego any opening statement
20 that I have to make. Thank you.

21 CHAIRMAN JABER: Thank you.

22 Seeing that there are no customers in the audience
23 that wish to testify tonight, I think we will go ahead and
24 adjourn the service hearing.

25 But, staff, before I do that is there any other

1 matter we need to take up tonight?

2 MS. VINING: None that I know of.

3 CHAIRMAN JABER: Okay. Mr. Costa?

4 MR. COSTA: No, ma'am, nothing.

5 CHAIRMAN JABER: Mr. Mann?

6 MR. MANN: No. Thank you, Commissioner.

7 CHAIRMAN JABER: Okay. We will go ahead and adjourn
8 the service hearing. Thank you all for coming tonight. Thank
9 you.

10 (The service hearing concluded at 5:28 p.m.)

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1 STATE OF FLORIDA)
2 : CERTIFICATE OF REPORTER
3 COUNTY OF LEON)

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5 I, JANE FAUROT, RPR, Chief, Office of Hearing Reporter
6 Services, FPSC Division of Commission Clerk and Administrative
7 Services, do hereby certify that the foregoing proceeding was
8 heard at the time and place herein stated.

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

14 I FURTHER CERTIFY that I am not a relative, employee,
15 attorney or counsel of any of the parties, nor am I a relative
16 or employee of any of the parties' attorney or counsel
17 connected with the action, nor am I financially interested in
18 the action.

19 DATED THIS 23RD DAY OF OCTOBER, 2002.

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JANE FAUROT, RPR
Chief, Office of Hearing Reporter Services
FPSC Division of Commission Clerk and
Administrative Services
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