

ORIGINAL

MACFARLANE FERGUSON & McMULLEN

ATTORNEYS AND COUNSELORS AT LAW

500 SOUTH FLORIDA AVENUE  
SUITE 240  
LAKELAND, FLORIDA 33801  
(863) 680-9908 FAX (863) 683-2849

400 NORTH TAMPA STREET, SUITE 2300  
P. O. BOX 1531 (ZIP 33601)  
TAMPA, FLORIDA 33602  
(813) 273-4200 FAX (813) 273-4396

625 COURT STREET  
P. O. BOX 1669 (ZIP 33757)  
CLEARWATER, FLORIDA 33756  
(727) 441-8966 FAX (727) 442-8470

IN REPLY REFER TO

November 13, 2002

Ansley Watson, Jr.  
P.O. Box 1531  
Tampa, Florida 33601  
e-mail: [aw@macfar.com](mailto:aw@macfar.com)

RECEIVED FPSC  
NOV 14 AM 10:21  
COMMISSION  
CLERK

VIA FEDERAL EXPRESS

Blanca S. Bayo, Director  
Division of Commission Clerk & Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Re: Docket No. 020384-GU -- Application for a rate increase by Tampa Electric Company d/b/a PEOPLES GAS SYSTEM

Dear Ms. Bayo:

Enclosed for filing in the above docket on behalf of Peoples Gas System, please find the original and 20 copies of its Prehearing Statement, together with a diskette containing the document in WordPerfect 8.0 format.

Please acknowledge your receipt and the date of filing of the enclosures on the duplicate copy of this letter, and return the same to me in the enclosed preaddressed envelope.

Thank you for your assistance.

Sincerely,



ANSLEY WATSON, JR.

- AUS \_\_\_\_\_
- CAF \_\_\_\_\_
- CMP \_\_\_\_\_
- COM 5
- CTR \_\_\_\_\_
- ECR \_\_\_\_\_
- GCL \_\_\_\_\_
- OPC \_\_\_\_\_
- MMS \_\_\_\_\_
- SEC 1
- OTH \_\_\_\_\_

AWjr/a  
Enclosures

RECEIVED & FILED

  
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER DATE

12467 NOV 14 02

FPSC-COMMISSION CLERK

Blanca S. Bayo, Director  
November 13, 2002  
Page 2

cc: Parties of Record  
Ms. Angela Llewellyn  
Matthew R. Costa, Esquire

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a rate increase by :  
Tampa Electric Company d/b/a Peoples :  
Gas System.

Docket No. 020384-GU

Submitted for Filing:  
11-14-02

PREHEARING STATEMENT OF PEOPLES GAS SYSTEM

Pursuant to Order No. PSC-02-1031-PCO-GU, issued July 31, 2002, Peoples Gas System ("Peoples" or the "Company") files the following Prehearing Statement.

a. All Known Witnesses

<u>Witness</u>	<u>General Subject Matter</u>
(Direct)	
Francis J. Sivard (Peoples)	General Company information; need for rate relief
Bruce Narzissenfeld (Peoples)	Historic base year rate base, O&M, O&M benchmark, rate base adjustments, non-utility allocations, affiliate charges
J. Paul Higgins (Peoples)	Projected test year rate base, O&M expense, trend factors, net operating income
Roger A. Morin, Ph.D. (Peoples)	Cost of capital and capital structure
Wraye J. Grimard (Peoples)	Business and market risks, cost of service study, rate design and tariff changes
(Rebuttal)	
Bruce Narzissenfeld (Peoples)	Rebuttal to certain adjustments proposed by OPC and Staff
J. Paul Higgins (Peoples)	Rebuttal to certain adjustments proposed by OPC and Staff

DOCUMENT NUMBER DATE

12467 NOV 14 02

FPSC-COMMISSION CLERK

Roger A. Morin, Ph.D.  
(Peoples)

Rebuttal to cost of capital and capital  
structure testimony of OPC Witness  
Cicchetti

Wraye J. Grimard  
(Peoples)

Rebuttal to certain adjustments  
proposed by OPC Witness DeRonne

b. All Known Exhibits

<u>Exhibit</u>	<u>Witness</u>	<u>Description</u>
FJS-1	Sivard	Calculated Average Return on Capital (12/31/2003)
BNN-1	Narzissenfeld	MFR Schedules sponsored by Witness Narzissenfeld
BNN-2	Narzissenfeld	Additional Accumulated Deferred Income Taxes - Revised Depreciation Projections
BNN-3	Narzissenfeld	Executive Summary of Towers Perrin Report (Incentive Compensation and Stock Grants)
BNN-4	Narzissenfeld	Marketing Department Expenses
BNN-5	Narzissenfeld	South Florida Regional Office Building Removal as Proposed by Staff Witness Fletcher
JPH-1	Higgins	MFR Schedules sponsored by Witness Higgins
JPH-2	Higgins	Revised Projection of Plant Additions
JPH-3	Higgins	Analysis of Account 921
JPH-4	Higgins	Calculation of Bad Debt Factor

JPH-5	Higgins	Total Compensation Study
_____	Morin	Appendix A to Dr. Morin's Testimony
RAM-1	Morin	Resume
RAM-2	Morin	Natural Gas Distribution Utilities Beta Risk Measures
RAM-3	Morin	Moody's Natural Gas Distribution Common Socks Over Long-Term Treasury Bonds - Annual Long-Term Risk Premium Analysis
RAM-4	Morin	Natural Gas Distribution Utilities DCF Analysis: Analysts' Growth Forecasts and Value Line Growth Projections
RAM-5	Morin	Investment Grade Gas & Elec. Utilities - DCF Analysis: Analysts Growth Forecasts and Value Line Growth Projections
WJG-1	Grimard	MFR Schedules sponsored by Witness Grimard
WJG-2	Grimard	Breakdown of pipeline mains by construction material and inside diameter
WJG-3	Grimard	Off-System Sales

c. Peoples' Statement of Basic Position

Peoples 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. When viewed in their totality, the adjustments to rate base and various expenses proposed by the Florida Citizens in this proceeding ignore the growth which has occurred, and is continuing to occur, in the Company's distribution system and number of customers, and for this reason should be disregarded as being inconsistent with the facts.

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.

Peoples 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, and based on adjustments made or to which the Company has agreed since the filing of its petition, rates predicated on a rate of return of 9.21% should be approved so that the Company may have an opportunity to cover operating costs and earn a fair and reasonable rate of return.

d. Peoples' Positions on the Issues

**ISSUE 1:** Is Peoples quality of service adequate?

**Peoples:** Yes. Peoples quality of service is excellent. Neither any party to this proceeding, nor the Commission Staff, has suggested otherwise. At service hearings held in this docket in Hollywood, Tampa, Orlando, Jacksonville and Panama City, a total of only four members of the public appeared to testify. Of those four, none testified regarding any complaint about Peoples' quality of service. The appearance of only four customers alone suggests that the level of service provided by the Company is excellent. The Company's excellent service is confirmed by the Commission's Consumer Assistance Protection Report for its fiscal year 1999-2000, which reflects 0.004 apparent Company infractions per 1,000 customers. The same Commission publication for its fiscal year 2000-2001 reflects 0.011 apparent infractions per 1,000 customers. Peoples submits that it deserves an upward adjustment of 25 basis points in its return on common equity as a reward for its outstanding level of service. Increasing the Company's return on equity would send a message to both the Company and its customers that superior performance is important, as well as provide an incentive to the Company to continue to provide such level of service. (Sivard, Grimard)

**ISSUE 2:** Is Peoples test year request for permanent rate relief based on a historical test period ending December 31, 2001, and a projected test period ending December 31, 2003, appropriate?

**Peoples:** Yes. (Narzissenfeld, Higgins)

**ISSUE 3:** Are the customer growth and them forecasts by rate class appropriate?

**Peoples:** Yes. (Grimard, Higgins)

**RATE BASE**

**ISSUE 4:** Should an adjustment be made to Plant, Accumulated Depreciation, and Depreciation Expense for canceled and delayed projects?

**Peoples:** No. Any adjustments for canceled or delayed projects are incorporated in the adjustments identified in Peoples' position on Issue 4A. (Higgins)

**ISSUE 4A:** Should an adjustment be made to Plant, Accumulated Depreciation, and Depreciation Expense to reflect the fact that the Company is under-budget for plant additions through mid-2002?

**Peoples:** Yes. As shown on Exhibit JPH-2, Plant should be reduced by \$14,512,000, Accumulated Depreciation by \$394,000, and Depreciation Expense by \$612,000 based on the Company's revised projection of plant additions. (Higgins)

**ISSUE 4B:** Should an adjustment to increase revenues or to decrease plant in service, accumulated depreciation and depreciation expense be made associated with the Company's \$3 million addition to plant in service - revenue mains for projects related to the Gulfstream pipeline?

**Peoples:** No. (Higgins, Grimard)

**ISSUE 5:** Should an adjustment be made to plant retirements for the projected test year?

**Peoples:** No. (Higgins)

**ISSUE 6:** Should rate base be reduced to remove inactive service lines that have been inactive for more than five years?

**Peoples:** Yes. Plant in Service should be reduced by \$13,738, and Accumulated Depreciation by \$10,463, for 35 inactive service lines that, as of the end of the historic base year, had been inactive for more than five years. (Narzissenfeld, Grimard)

**ISSUE 7:** Should an adjustment be made to reduce Plant, Accumulated Depreciation, Depreciation Expense, and other expenses to reflect non-utility operations?

**Peoples:** Yes. As shown on Exhibit BNN-5, Plant should be reduced by \$219,372, Accumulated Depreciation by \$31,858, and Depreciation Expense by \$4,627. (Narzissenfeld)

**ISSUE 8:** Should an adjustment be made to the allocation of inter-company costs?

**Peoples:** No. (Narzissenfeld, Higgins)

**ISSUE 9:** What is the appropriate amount of Construction Work in Progress (CWIP) for the projected test year?

**Peoples:** \$21,277,545. (Higgins)

**ISSUE 10:** What is the appropriate projected test year Total Plant?



**Peoples:** \$784,394,033. (Higgins)

**ISSUE 11:** What is the appropriate projected test year Depreciation Reserve?

**Peoples:** \$273,596,238. (Higgins)

**ISSUE 11A:** Should an adjustment be made to working capital for Materials and Supplies to reflect the full impacts of the inventory reductions resulting from strategic alliances and actual reductions in 2002?

**Peoples:** No. (Higgins)

**ISSUE 12:** Should conservation overrecoveries be included in the calculation of working capital?

**Peoples:** No. (Higgins)

**ISSUE 13:** Has Peoples removed the appropriate amount of Miscellaneous Current Liabilities from working capital?

**Peoples:** Yes. (Higgins)

**ISSUE 14:** What is the appropriate projected test year Working Capital Allowance?

**Peoples:** (\$3,025,125). (Higgins)

**ISSUE 15:** What is the appropriate projected test year Rate Base? (Kaproth)

**Peoples:** \$507,772,670. (Higgins)

#### **COST OF CAPITAL**

**ISSUE 16:** What is the appropriate return on common equity for the projected test year?

**Peoples:** A range of 10.75% to 12.75%, with a midpoint of 11.75%. (Morin)

**ISSUE 17:** What is the appropriate equity ratio?

**Peoples:** The appropriate equity ratio, expressed as a percentage of the Company's total equity plus debt, is 57.4%. (Morin)

**ISSUE 17A:** What is the appropriate cost of long-term and short-term debt?

**Peoples:** The appropriate cost of long-term debt is 7.81%, and the appropriate cost of short-term debt is 4.00%. (Higgins)

**ISSUE 18:** What is the appropriate amount of accumulated deferred taxes to include in the capital structure?

**Peoples:** As adjusted in accordance with Exhibit BNN-2, the appropriate amount of accumulated deferred taxes to include in the capital structure is \$21,593,278. (Narzissenfeld, Higgins)

**ISSUE 19:** What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure?

**Peoples:** The appropriate amount is \$743,000 and the cost rate is 0.00%. (Higgins)

**ISSUE 20:** Has FAS 109 been appropriately reflected in the capital structure, such that it is revenue neutral?

**Peoples:** Yes. (Narzissenfeld)

**ISSUE 21:** Have rate base and capital structure been reconciled appropriately?

**Peoples:** No. Based on discussions with Staff, the Company is advised that pro rata adjustments should be allocated based on investor sources of capital (including customer deposits) only. (Higgins)

**ISSUE 22:** What is the appropriate weighted average cost of capital for the projected test year?

**Peoples:** 9.21%. (Higgins)

### **REVENUES**

**ISSUE 23:** Has Peoples properly removed PGA revenues, expenses, and taxes-other from the projected test year?

**Peoples:** Yes. (Higgins)

**ISSUE 24:** Has Peoples properly removed conservation revenues, expenses, and taxes-other from the projected test year?

**Peoples:** Yes. (Higgins)

**ISSUE 25:** Should an adjustment be made to revenues to recognize the new credit card usage charge?

**Peoples:** No. Revenue related to the new credit card charge is a rate design issue, not a revenue requirements issue. (Grimard)

**ISSUE 26:** Should revenues be adjusted to correct for an understatement in projected test year revenues?

**Peoples:** Yes. Revenues should be increased by \$75,485 to correct for an understatement in projected test year revenues. (Grimard)

**ISSUE 27:** Should Off-System Sales be excluded from Jurisdictional Operating Revenues?

**Peoples:** No. However, the Off-System Sales revenue for the projected test year is zero. (Grimard)

**ISSUE 28:** What is the appropriate amount of projected test year total Operating Revenues?

**Peoples:** Under present rates and charges, the appropriate amount of projected test year total Operating Revenues is \$148,257,215. (Higgins)

### **EXPENSES**

**ISSUE 29:** Should an adjustment be made to recognize any gains on disposition of utility plant?

**Peoples:** Yes. Consistent with Commission policy, an adjustment reducing amortization expense by \$69,293 should be made to amortize the \$346,466 gain on the sale of property located at 2951 SW 1<sup>st</sup> Terrace in Ft. Lauderdale over five years beginning January 1, 2003. In addition, working capital should be reduced by \$311,819. (Narzissenfeld)

**ISSUE 29A:** Should an adjustment be made to reduce expenses to reflect non-utility operations?

**Peoples:** Yes. Maintenance of General Plant expense should be reduced by \$4,096 to adjust for non-utility plant expense. (Narzissenfeld)

**ISSUE 30:** Should an adjustment be made for lobbying expenses?

**Peoples:** Yes. For the historic base year 2001, Account 930, Miscellaneous General Expenses, should be reduced \$9,039 to remove lobbying expenses included in the Florida Natural Gas Association membership dues reflected in Staff Witness Rohrbacher's testimony. The reduction in projected test year expense for this account, based on the appropriate trend factors identified in Peoples' position on Issue 36, is \$9,404. (Narzissenfeld)

**ISSUE 31:** What is the appropriate amount of rate case expense and what is the appropriate amortization period for that expense?

**Peoples:** The appropriate amount of rate case expense is \$350,000 and the appropriate amortization period is two years. (Narzissenfeld)

**ISSUE 32:** Should an adjustment be made to bad debt expense?

**Peoples:** Yes. As shown on Exhibit JPH-4, bad debt expense should be reduced by \$633,606 to reflect a total bad debt expense of \$1,084,688. (Higgins)

**ISSUE 33:** Should an adjustment be made for charitable contributions?

**Peoples:** Yes. For the projected test year, based on the appropriate trend factors identified in Peoples' position on Issue 36, the following accounts should be reduced by the amounts indicated to remove charitable contributions reflected in Staff Witness Rohrbacher's testimony:

912 Demonstrating and Selling Expenses	- \$16,667
913 Advertising Expenses	- \$ 6,107
930 Miscellaneous General Expenses	- \$ 151

(Narzissenfeld, Higgins)

**ISSUE 34:** Should an adjustment be made to remove image building or other inappropriate advertising expenses?

**Peoples:** Yes. For the projected test year, based on the appropriate trend factors identified in Peoples' position on Issue 36, the following accounts should be reduced by the amounts indicated to remove image building advertising expenses reflected in Staff Witness Rohrbacher's testimony:

912 Demonstrating and Selling Expenses	- \$17,646
913 Advertising Expenses	- \$33,969

(Narzissenfeld, Higgins)

**ISSUE 35:** Should an adjustment be made to remove expenses for company parties, picnics, or similar social company activities?

**Peoples:** Yes. For the projected test year, based on the appropriate trend factors identified in Peoples' position on Issue 36, Account 921 should be reduced \$19,685 to remove employee dinners and Account 926 should be reduced \$11,626 for tuition reimbursement for non-Peoples employees, for a total reduction of \$31,311 of projected test year expenses. (Narzissenfeld, Higgins)

**ISSUE 35A:** Should an adjustment be made for Economic Development Activities?

**Peoples:** Yes. For the projected test year, based on the appropriate trend factors identified in Peoples' position on Issue 36, the following accounts should be reduced to remove the non-allowable portion of economic development expenses in accordance with Commission Rule 25-7.042, Florida Administrative Code, as reflected in Staff Witness Rohrbacher's testimony:

912 Demonstrating and Selling Expenses - \$4,692  
913 Advertising Expenses - \$1,683  
930 Miscellaneous General Expenses - \$2,019

(Narzissenfeld, Higgins)

**ISSUE 36:** Are the trend rates used by Peoples to calculate projected O&M expenses appropriate?

**Peoples:** The trend rates contained in MFR Schedule G-2, page 10, should be adjusted to reflect OPC's CPI Inflation trend factor of 2 percent for 2002 and 2003. This change results in the following trend factors:

<u>Trend Rates</u>	<u>2002</u>	<u>2003</u>
Payroll Only	3.00%	3.00%
Customer Growth X Pay Change	7.63%	8.09%
Customer Growth X Inflation	6.59%	7.04%
Inflation Only	2.00%	2.00%
Customer Growth	4.50%	4.94%

(Higgins)

**ISSUE 37:** Has Peoples used the appropriate trend basis for each O&M account?

**Peoples:** Yes. (Higgins)

**ISSUE 37A:** Is the Company's "Other Not Trended" adjustment for increased postage costs reasonable?

**Peoples:** No. The Company inadvertently failed to increase its projected test year 2003 postage costs for customer growth. The "other not trended" portion of Account 903, Customer Records and Collection Expenses, should be increased by \$53,436 to correctly reflect the increase in postage costs due to customer growth. (Higgins)

**ISSUE 37B:** Should payroll expense and related costs such as payroll taxes be reduced to reflect the decline in the number of employees?

**Peoples:** No. The number of employees has not declined. (Higgins)

**ISSUE 37C:** Should cost associated with incentive compensation be reduced?

**Peoples:** No. (Higgins, Narzissenfeld)

**ISSUE 38:** Should the projected test year O&M expense be adjusted for the effect of any changes to the trend factors?

**Peoples:** Yes. The projected test year O&M expenses should be adjusted based on the appropriate trend factors identified in Peoples' position on Issue 36. (Higgins)

**ISSUE 38A:** Is the Company's "Other Not Trended" adjustment for Outsourcing Cost in its sales and marketing function reasonable?

**Peoples:** Yes. (Narzissenfeld, Higgins)

**ISSUE 38B:** Should the Commission order a further investigation into the relationship between Peoples and TECO Partners, an affiliated company?

**Peoples:** No. If the Commission deems any further investigation to be necessary, it would be more appropriate to conduct such further investigation in a separate proceeding. (Narzissenfeld)

**ISSUE 39:** Should an adjustment be made to rent expense?

**Peoples:** Yes. For the projected test year, based on the appropriate trend factors identified in Peoples' position on Issue 36, Account 931 should be (a) reduced by \$23,550 to reflect rent on facilities replaced with Company-owned facilities, and (b) increased by \$67,865 to reflect rent on the

Company's South Florida Region Office. Netting the effects of these adjustments results in an increase in rent expense in Account 931 of \$44,315. (Narzissenfeld)

**ISSUE 39A:** Is the Company's "Other Not Trended" adjustment for the Customer Retention Program included in Miscellaneous Sales Expense appropriate?

**Peoples:** Yes. (Grimard, Higgins)

**ISSUE 40:** Should an adjustment be made to periodic meter and regulator change-out expense?

**Peoples:** No. (Narzissenfeld)

**ISSUE 40A:** Is the Company's "Other Not Trended" adjustments to Account 921 - Office Supplies and Expenses reasonable?

**Peoples:** Yes. However, the Company's "Other Trended" amount for Account 921 should be reduced by \$24,302 for costs associated with stadium costs/Centennial Celebration. (Higgins)

**ISSUE 40B:** Is an adjustment to Meter Reading Expense for the Cost Savings Program to Meter & House Regulator Expense, Account 878, necessary?

**Peoples:** No. (Narzissenfeld)

**ISSUE 41:** Is the Company's "Other Not Trended" allocation adjustments to Account 922 - A&G Transferred reasonable?

**Peoples:** Yes. However, the account for the projected test year should be reduced by \$3,859 as a result of the adjustment identified in the Company's position on Issue 40A. (Higgins)

**ISSUE 41A:** Is the Company's "Other Not Trended" adjustment to Account 926 - Pensions and Benefits reasonable?

**Peoples:** No. The adjustment should be increased by \$1,607,219 for the projected test year. The primary reasons for the increase are: increases for the projected test year in the costs associated with health insurance (approximately \$277,000 based on actual contract rates for 2003); salary savings (over \$475,000); and pension (approximately \$714,000) and postretirement benefits (approximately \$141,000) based on changes in actuarial assumptions provided to the Company after the preparation of the

MFRs. (Higgins)

**ISSUE 41B:** Is the Company's "Other Not Trended" adjustment to Account 930 - Miscellaneous General Expenses for natural gas technical research appropriate?

**Peoples:** Yes. (Higgins, Grimard)

**ISSUE 42:** What is the appropriate amount of projected test year O&M Expense?

**Peoples:** \$61,092,257. (Higgins)

**ISSUE 43:** What is the appropriate accounting treatment and annual amortization to recover estimated clean-up costs of Peoples manufactured gas plant sites?

**Peoples:** Peoples should continue to accrue \$640,000 annually and continue to use reserve accounting to recover the estimated clean-up costs as ordered by the Commission in Docket No. 980434-GU by Order No. PSC-98-0739-FOF-GU, issued May 28, 1998. (Narzissenfeld)

**ISSUE 44:** What is the appropriate amount of projected test year Depreciation and Amortization Expense?

**Peoples:** \$33,519,383. This amount includes the adjustments identified in Peoples' positions on Issues 4A and 7. It also includes \$219,125 in additional depreciation expense resulting from the new depreciation rates approved by the Commission's Order No. PSC-02-1492-PAA-GU, Docket No. 010383-GU. (Higgins)

**ISSUE 45:** What is the appropriate amount of Taxes Other Than Income Taxes?

**Peoples:** \$9,560,723. (Higgins)

**ISSUE 46:** What is the appropriate Income Tax Expense, including current and deferred income taxes, ITC amortization, and interest synchronization?

**Peoples:** This is a fallout issue. However, if any change is made in this case in the common equity component of the Company's capital structure as set forth in the MFRs as filed, the parent debt adjustment required by Commission Rule 25-14.004 must be recalculated. (Higgins)

**ISSUE 47:** What is the appropriate level of Total Operating Expenses for the projected test year?



**Peoples:** This is a fallout calculation and will be based on the calculations and decisions on other issues. (Higgins)

**ISSUE 48:** What is the appropriate amount of projected test year Net Operating Income?

**Peoples:** \$34,710,420. (Higgins)

**ISSUE 49:** What is the appropriate projected test year revenue expansion factor to be used in calculating the revenue deficiency.

**Peoples:** The appropriate projected test year revenue expansion factor to be used in calculating the revenue deficiency is 1.6429. (Narzissenfeld)

**ISSUE 50:** What is the appropriate projected test year revenue deficiency?

**Peoples:** \$19,772,379. (Higgins)

**ISSUE 51:** Should any portion of the \$1,461,000 interim increase granted by Order No. PSC-02-1227-FOF-GU, issued September 9, 2002, be refunded to customers?

**Peoples:** No. (Narzissenfeld)

**ISSUE 52:** Should Peoples be required to submit, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its future annual reports, rate of return reports, published financial statements, and books and records that will be required as a result of the Commission's findings in this rate case?

**Peoples:** Yes. (Narzissenfeld, Higgins)

**ISSUE 53:** Are Peoples' estimated revenues from sales of gas by rate class at present rates for the projected test year appropriate?

**Peoples:** Yes, except as modified by the Company's position on Issue 26. (Grimard)

**ISSUE 54:** What is the appropriate cost of service methodology to be used in allocating costs to the rate classes?

**Peoples:** The cost of service methodology prescribed by the Commission, with the allocations used by the Company as contained in the MFRs. (Grimard)

**ISSUE 54A:** If the Commission grants a revenue increase to Peoples, how should the increase be allocated to the rate classes?

**Peoples:** The revenue increase granted should be allocated to the rate classes proposed by Peoples based on the cost to serve each rate class, giving consideration, however, to economic and competitive conditions, rate history, value of service, consumption and load profile. (Grimard)

**ISSUE 55:** Is Peoples' proposal to apply uniform rates and service charges to all customers, including customers formerly served by West Florida Gas, appropriate?

**Peoples:** Yes. (Grimard)

**ISSUE 55A:** Should any increase in rates for the customers of the former West Florida Natural Gas Company be phased in over several years?

**Peoples:** No. (Grimard)

**ISSUE 56:** What are the appropriate Miscellaneous Service Charges?

**Peoples:** The appropriate Miscellaneous Service Charges are:

Service Initiation Charge - Residential	\$ 35.00 initial; \$15.00 for each add'l meter
Service Initiation Charge - Commercial	\$ 75.00 initial; \$15.00 for each add'l meter
Reconnection Charge - Residential	\$ 60.00 initial; \$15.00 for each add'l meter
Reconnection Charge - Commercial	\$100.00 initial; \$15.00 for each add'l meter
Turn-off notice or Collection in lieu of disconnect	\$ 20.00
Account Change/Opening Fee	\$ 20.00
Returned Check Charge	The greater of \$25.00 or 5% of check amount
Pool Manager Termination Fee	\$ 30.00
Temporary Disconnect Charge	\$ 25.00
Failed Trip Charge	\$ 15.00
Payment by credit card charge	3.5% of transaction
ITS Administration Charge	\$148.00 per meter
Pool Manager History Charge	\$ 20.00
Pool Administration Charge	\$142.00 + \$0.91 per acct.

(Grimard)

**ISSUE 57:** What are the appropriate Customer Charges?

**Peoples:** The appropriate Customer Charges are:

Residential Service	\$ 10.00
Commercial Street Lighting Service	\$ 0.00
Small General Service	\$ 20.00
General Service 1	\$ 30.00
General Service 2	\$ 35.00
General Service 3	\$ 45.00
General Service 4	\$ 85.00
General Service 5	\$150.00
Small Interruptible Service	\$150.00
Interruptible Service	\$225.00
Interruptible Service - Large Volume	\$225.00
Natural Gas Vehicle Service	\$ 35.00
Wholesale Service	\$100.00

(Grimard)

**ISSUE 58:** What are the appropriate per therm Distribution Charges?

**Peoples:** This is a fallout calculation and will be based on the calculations and decisions on other issues. (Grimard)

**ISSUE 59:** Are Peoples' proposed customer classes and riders and their associated therm requirements appropriate?

**Peoples:** Yes. Peoples' proposal to combine the customer classes and riders of its West Florida and non-West Florida divisions into uniform rates for the entire Company, and to restructure its rates in order to group customers based on their load profiles and usage characteristics, is appropriate. (Grimard)

**ISSUE 60:** Is Peoples' proposed methodology for billing interruptible customers for excess gas taken during a period of interruption appropriate?

**Peoples:** Yes. (Grimard)

**ISSUE 61:** Is Peoples' proposal to collect the monthly Interruptible Transportation service administration fee on a per-meter basis appropriate?

**Peoples:** Yes. (Grimard)

**ISSUE 62:** Is Peoples' proposed new temporary turn-off charge appropriate?

**Peoples:** Yes. The \$25.00 charge is cost-based and recovers the additional costs caused by those customers who have their service turned off temporarily. (Grimard)

**ISSUE 63:** Is Peoples' proposed new credit card use charge appropriate?

**Peoples:** Yes. The charge of 3.5% of the billed amount is cost-based, and appropriately recovers the additional costs of credit card transactions from those customers who opt to pay by credit card. (Grimard)

**ISSUE 64:** Is Peoples' proposed new failed trip charge appropriate?

**Peoples:** Yes. The proposed \$15.00 charge is cost-based and recovers the costs caused by customers who fail to keep a scheduled appointment with the company's employee, agent or representative. (Grimard)

**ISSUE 64A:** Is Peoples Gas System's proposed change to the definition of Maximum Allowable Construction Cost appropriate?

**Peoples:** Yes. (Grimard)

**ISSUE 64B:** What is the appropriate effective date for Peoples Gas System's revised rates and charges?

**Peoples:** Peoples' revised rates and charges should become effective for meter readings taken on or after 30 days from the date of the final Commission vote approving the rates and charges. (Grimard)

**ISSUE 64C:** Is the proposed change to the definition of Weighted Average Cost of Capacity contained in Peoples' Individual Transportation Service Rider appropriate?

**Peoples:** Yes. (Grimard)

**ISSUE 65:** Should this docket be closed?

**Peoples:** This docket should be closed after the Commission has issued its final order and the time for filing an appeal has expired. (Sivard, Watson)

e. Stipulated Issues

None as of the date of this Prehearing Statement.

f. Pending Motions

Peoples' Motion to Strike Rebuttal Testimony of Mark A. Cicchetti or, in the Alternative, for Leave to File Surrebuttal Testimony, submitted for filing on November 14, 2002.

g. Pending Confidentiality Claims or Requests

Peoples' Motion for Temporary Protective Order submitted for filing October 4, 2002, relating to certain documents identified as confidential produced in response to Categories 1, 2, 3, 8, 9, 22, 27, 36, 37, 45, 49, 50, 59, 63, 70 and 71 of the Citizens' First Set of Requests for Production of Documents and provided to the Office of Public Counsel.

Peoples' Second Motion for Temporary Protective Order submitted for filing October 11, 2002, relating to two reports of internal audits identified as confidential produced in response to Category 15 of the Citizens' First Set of Requests for Production of Documents and provided to the Office of Public Counsel.

Peoples also currently also has one pending notice of intent to request confidential classification of portions of the Rebuttal Testimony of Bruce Narzissenfeld, including portions of his Exhibit BNN-3, and portions of the Rebuttal Testimony of J. Paul Higgins, including portions of his Exhibit JPH-5. Peoples anticipates filing one or more requests for confidential classification prior to the hearing in this proceeding, and will provide a list of any pending requests for confidentiality (in addition to those listed above) prior to the Prehearing Conference.

h. Compliance with Order No. PSC-02-1031-PCO-GU

Peoples has, to the best of its knowledge, complied with all requirements of the Order Establishing Procedure entered in this docket.

Dated this 13th day of November, 2002.

Respectfully submitted,

---

ANSLEY WATSON, JR.  
Macfarlane Ferguson & McMullen  
P. O. Box 1531  
Tampa, Florida 33601-1531  
(813) 273-4321

and

MATTHEW R. COSTA  
Legal Department  
TECO Energy, Inc.  
P. O. Box 111  
Tampa, Florida 33601-1531  
(813) 228-4938

Attorneys for Peoples Gas System

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing Prehearing Statement has been furnished by hand delivery\* or Federal Express\*\* to the following, this 13th day of November, 2002:

John W. McWhirter, Jr., Esquire\*  
McWhirter, Reeves, McGlothlin *et al.*  
P. O. Box 3350  
Tampa, Florida 33601-3350

Donna DeRonne\*\*  
Larkin & Associates, PLLC  
15728 Farmington Road  
Livonia, Michigan 48154

Adrienne E. Vining, Esquire\*\*  
Office of the General Counsel  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Vicki Gordon Kaufman, Esquire\*\*  
Timothy J. Perry, Esquire  
McWhirter, Reeves, McGlothlin *et al.*  
117 S. Gadsden Street  
Tallahassee, Florida 32301

Robert Scheffel Wright, Esquire\*\*  
Diane K. Kiesling, Esquire  
John T. Lavia, III, Esquire  
Landers & Parsons, P.A.  
310 W. College Avenue  
Tallahassee, Florida 32301

Joseph A. Regnery\*\*  
Senior Counsel  
Calpine Eastern Corporation  
2701 N. Rocky Point Drive  
Suite 1200  
Tampa, Florida 33607

Jim Downs\*\*  
Manager, Fuels Regulatory  
Calpine Energy Services, L.P.  
700 Louisiana Street - Suite 2700  
Houston, Texas 77002

Roman J. Bakke\*\*  
Manager, Fuels Supply  
Calpine - Eastern Regional Office  
The Pilot House - 2<sup>nd</sup> Floor  
Lewis Wharf  
Boston, Massachusetts 02110

H. F. Rick Mann, Esquire\*\*  
Office of the Public Counsel  
c/o The Florida Legislature  
111 W. Madison Street  
Room 812  
Tallahassee, Florida 32399-1400

---

Ansley Watson, Jr.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a rate increase by :  
Tampa Electric Company d/b/a Peoples :  
Gas System. :

Docket No. 020384-GU

Submitted for Filing:  
11-12-02

**PEOPLES GAS SYSTEM'S  
NOTICE OF INTENT TO REQUEST  
CONFIDENTIAL CLASSIFICATION**

Peoples Gas System ("Peoples" or the "Company"), pursuant to Section 366.093, *Florida Statutes*, and Rule 25-22.006, *F.A.C.*, files this notice of intent to request confidential classification of portions of the Rebuttal Testimony of Bruce Narzissenfeld including portions of Exhibit BNN-3, and portions of the Rebuttal Testimony of J. Paul Higgins including pages 4, 5 and 6 of Exhibit JPH-5. Accordingly, Peoples hereby submits the following:

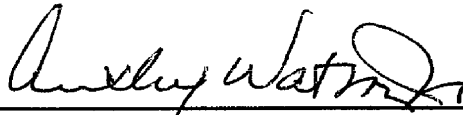
1. A separate, sealed envelope, marked CONFIDENTIAL, containing one copy of the Rebuttal Testimony of Bruce Narzissenfeld and one copy of the Rebuttal Testimony of J. Paul Higgins, with appropriate portions of the testimony and of Exhibits BNN-3 and JPH-5 containing confidential information highlighted.

2. Fifteen copies of the non-confidential Rebuttal Testimony and Exhibits of Bruce Narzissenfeld, and the non-confidential Rebuttal Testimony and Exhibits of J. Paul Higgins with the information for which Peoples intends to request confidential classification redacted by page, line or exhibit, where appropriate.



Dated this 11th day of November, 2002.

Respectfully submitted,



---

ANSLEY WATSON, JR.  
Macfarlane Ferguson & McMullen  
P. O. Box 1531  
Tampa, Florida 33601-1531  
(813) 273-4321

and

MATTHEW R. COSTA  
Legal Department  
TECO Energy, Inc.  
P. O. Box 111  
Tampa, Florida 33601-1531  
(813) 228-4938

Attorneys for Peoples Gas System

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing Notice, together with the non-confidential Rebuttal Testimony and Exhibits of each of Bruce Narzissenfeld, J. Paul Higgins, Wraye J. Grimard and Dr. Roger A. Morin, has been furnished by hand delivery\* or Federal Express\*\* to the following, this 11th day of October, 2002:

John W. McWhirter, Jr., Esquire\*  
McWhirter, Reeves, McGlothlin *et al.*  
P. O. Box 3350  
Tampa, Florida 33601-3350

Donna DeRonne\*\*  
Larkin & Associates, PLLC  
15728 Farmington Road  
Livonia, Michigan 48154

Adrienne E. Vining, Esquire\*\*  
Office of the General Counsel  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Vicki Gordon Kaufman, Esquire\*\*  
Timothy J. Perry, Esquire  
McWhirter, Reeves, McGlothlin *et al.*  
117 S. Gadsden Street  
Tallahassee, Florida 32301


Robert Scheffel Wright, Esquire\*\*  
Diane K. Kiesling, Esquire  
John T. Lavia, III, Esquire  
Landers & Parsons, P.A.  
310 W. College Avenue  
Tallahassee, Florida 32301

Joseph A. Regnery\*\*  
Senior Counsel  
Calpine Eastern Corporation  
2701 N. Rocky Point Drive  
Suite 1200  
Tampa, Florida 33607

Jim Downs\*\*  
Manager, Fuels Regulatory  
Calpine Energy Services, L.P.  
700 Louisiana Street - Suite 2700  
Houston, Texas 77002

Roman J. Bakke\*\*  
Manager, Fuels Supply  
Calpine - Eastern Regional Office  
The Pilot House - 2<sup>nd</sup> Floor  
Lewis Wharf  
Boston, Massachusetts 02110

H. F. Rick Mann, Esquire\*\*  
Office of the Public Counsel  
c/o The Florida Legislature  
111 W. Madison Street  
Room 812  
Tallahassee, Florida 32399-1400

  
\_\_\_\_\_  
Ansley Watson, Jr.