ORIGINAL

STATE OF FLORIDA
OFFICE OF THE PUBLIC COUNSEL

c/o The Florida Legislature
111 West Madison St.
Room 812
Tallahassee, Florida 32399-1400
850-488-9330

JACK SHREVE
PUBLIC COUNSEL

November 14, 2002

RECEIVED-FPSC
02 NOV 14 PM 4:07
COMMISSION
CLERK

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

Re: Docket No. 020384-GU

Dear Ms. Bayo:

Enclosed for filing in the above-referenced docket are the original and 15 copies of Citizens' Prehearing Statement. A diskette in Word format is also submitted.

Please indicate the time and date of receipt on the enclosed duplicate of this letter and return it to our office.

Sincerely,

H F. Rick Mann
Associate Public Counsel

HFM:bsr

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

RECEIVED & FILED
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE
12496 NOV 14 8
FPSC-COMMISSION CLERK

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 Filed: November 14, 2002

CITIZENS' PREHEARING STATEMENT

Pursuant to Order No. PSC-01-2114-PCO-EI, issued October 25, 2001, the Citizens of Florida (Citizens), by and through Jack Shreve, Public Counsel, file this prehearing statement.

Witnesses

Citizens have prefiled testimony by the following witnesses:

(1) Donna DeRonne, C.P.A., Direct

(2) Helmuth W. Schultz, III, C.P.A., Direct

(3) Mark A. Cicchetti, Direct and Rebuttal

Prefiled Exhibits

Witnesses for Citizens prefiled the following exhibits:

Donna DeRonne, C.P.A.

A-1 Revenue Requirement

A-2	Gross Revenue Conversion Factor
B-1	Adjusted Rate Base
B-2	Plant in Service
B-3	Calculation of Beginning Plant in-Service
B-4	Adjusted 13-Month Average Plant in Service
B-5	Working Capital - Materials & Supplies
C-1	Adjusted Net Operating Income
C-2	Off-System Sales
C-3	TECO Partners - Marketing and Sales Charges
C-4	Advertising Expense Adjustments
C-5	Rate Case Expense
C-6	Depreciation Expense - Revisions to Plant in Service
C-7	Interest Synchronization Adjustment
C-8	Income Tax Expense
D, p. 1	Overall Cost of Capital, per OPC
D, p. 2	Additional Accumulated Deferred Income Taxes - Bonus Depreciation

<u>Helmuth W. Schultz, III, C.P.A.</u>

A	Payroll Trending Expense Adjustment
B	Other Trended Expensed Adjustment
C	Account 922 Adjustment
D	Payroll Adjustment - Incentive Compensation

E	Payroll Adjustment - Employee Complement
F	Payroll Tax expense Adjustment
G	Tampa Electric Annualization Adjustment
H	TECO Energy Cost Adjustment
(HWS-2)	Analysis of Customer Growth

Mark A Cicchetti

(MAC-2)	Economic Statistics
(MAC-3)	Equity Ratio Comparisons
(MAC-4)	Standard & Poor's Ratio Guidelines
(MAC-5)	Moody's Natural Gas Index Investment Characteristics
(MAC-6)	Two-Stage, Annually Compounded Discounted Cash Flow Model
(MAC-7)	Risk Premium Analysis
(MAC-8)	Risk Premium Analysis Results
(MAC-9)	Summary of Results
(MAC-10)	Capital Structure

Citizens may use other exhibits during cross-examination of the company's, Staff's, or other Interveners' witnesses. Citizens plan to file a notice prior to the

Prehearing conference identifying documents Florida Power Corporation claims to be confidential which Citizens may use during cross examination.

Statement of Basic Position

Peoples has overstated its rate base. The testimony and evidence of Citizens' witnesses will show that rate base in the Company's 2003 projected test year should be $490,048,000. Conversely, Peoples has understated its NOI. The Company's Net Operating Income in the 2003 test year should be $43,662,000.

Peoples imprudently filed with this Commission a request for revenue increase of $22,615,000, based on a projected 2003 test year. Peoples' request assumes plant additions of $60,764,110 in 2002 and $60,321,000 in 2003. The Company's request also assumes that specific costs will increase based upon selected presumptions and that remaining costs will increase based upon trend percentages.

Citizens believe that Peoples' overly-optimistic budgeted plant additions, unsupported specific cost projections, use of an excessive inflation rate, and inappropriate applications of trend rates, have resulted in the Company's overstatement of its revenue requirement. In fact, the Citizens' witnesses will show that Peoples' current revenues should be reduced by approximately $6 million.

Peoples' plant additions in 2002, are below the Company's projected level of $60,764,110 and in the Company's rebuttal testimony, it has acknowledged that in 2003, its plant additions will be $11,900,000 less than projected. Considering added adjustments to rate base and numerous additions to operating and maintenance expense to correct for Peoples' unsupported costs, inappropriate costs, excessive inflation rate and the inappropriate applications of trend rates, Peoples' current rates, at a minimum, should be reduced by approximately $6 million. Given the information provided in the Company's rebuttal testimony and any new issues raised by other parties, the rates may require a reduction greater than $6 million.

Issues and Positions

ISSUE 1: Is Peoples' quality of service adequate? (Mills)

Citizens' Position: No position at this time.

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? (E. Bass)

Citizens' Position: Citizens do not disagree with the use of the historical test period ending December 31, 2001, nor use of a projected test period ending December 31, 2003, assuming that the appropriate revisions and adjustments are made to those test periods. (DeRonne)

ISSUE 3: Are the customer growth and therm forecasts by rate class appropriate? (Hewitt, Stallcup)

STAFF PROPOSED
STIPULATION: The projected customer growth and therm forecasts by rate class contained in MFR Schedule G-2, pages 6a through 8d are appropriate.

RATE BASE

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

Citizens' Position: Yes. See Citizens' response to Issue 4A.

<u>ISSUE 5</u>: 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? (OPC Witness, DeRonne)

Citizens' Position: Yes. As of August 31, 2002, the Company's actual plant in service balance on its books and records, including both Account 101 – Plant in Service and Account 106 – Completed Construction not Classified, was $9,957,000 less than the balance for the same month included in the Company's MFRs. For each month of 2002, through August, the actual plant in service balance has been considerably lower than the projected amounts included in the MFRs. This is shown on Exhibit__(DD-1), Schedule B-2. The beginning balance in calculating the projected test year plant in service balance should be reduced by a minimum of $9,957,000, as shown on Exhibit DD-1, Schedule B-3. This results in the December 31, 2002 plant in service balance included in the MFRs of $748,923,633 being reduced by $9,957,000 to $738,966,632. As the amount under-budget for plant in service has steadily increased for most of 2002, an even larger reduction may be appropriate. This adjustment also impacts accumulated depreciation and depreciation expense. (DeRonne) (OPC POD 9; PGS 8/31/02 Trial Balance)

<u>ISSUE 6</u>: 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? (Gardner, Stallcup, Hewitt) (OPC Witness, DeRonne)

Citizens' Position: No position at this time.

<u>ISSUE 7</u>: Should an adjustment be made to plant retirements for the projected test year? (Gardner)

Citizens' Position: No position at this time.

<u>ISSUE 8</u>: Should rate base be reduced to remove inactive service lines that have been inactive for more than five years? (Gardner, Mills)

Citizens' Position: No position at this time.

ISSUE 9: Is an adjustment to Meter Reading Expense for the Cost Savings Program to Meter & House Regulator Expense, Account 878, necessary? (Kaproth)

Citizens' Position: No position at this time.

ISSUE 10: Should an adjustment be made to reduce Plant, Accumulated Depreciation, Depreciation Expense, and other expenses to reflect non-utility operations? (Gardner, L. Romig)

Citizens' Position: No position at this time.

ISSUE 11: What is the appropriate amount of Construction Work in Progress (CWIP) for the projected test year? (L. Romig, Mills)

Citizens' Position: No Construction Work in Progress (CWIP) should be included in rate base in the projected test year. This plant will not be used or useful in delivering gas service to People's customers during the projected test year. Some of the facilities included in CWIP will serve new customers, and the revenues from those new, future customers is not included in the projected test period. Additionally, some of the facilities included in CWIP could result in a reduction in expenditures that are not reflected in the projected test period. Rate base should be reduced by $21,277,545 to remove CWIP. (DeRonne)

ISSUE 12: What is the appropriate projected test year Total Plant? (L. Romig)

Citizens' Position: The appropriate projected test year total plant, including plant in service and acquisition adjustment less common plant allocated, is a maximum of $766,717,257. This is shown on Exhibit__(DD-1), Schedule B-1, page 1. This reflects the total removal of CWIP and an $11,144,341 reduction to plant in service. The $11,144,341 reduction to plant in service combines the impact of the $9,957,000 reduction to the beginning plant in service balance addressed in Issue 4A, and several revisions to Peoples' projected 2003 additions to plant in service. For the additions to plant in service that were based by the Company on five-year average addition levels using actual amounts for the period 1998 through 2001 and projected amounts for 2002 grossed-up by a 2.66% inflation factor, the additions should be revised to reflect a four-year average using actual amounts for the period 1998 through 2001 with no gross-up for inflation. It is not appropriate to use one year of budgeted information and four years of actual information in calculating the average level. The average level should be based on actual, known and measurable information. For the projected additions that were based by the Company on budgeted 2002 additions, with some adjustments by

Peoples for extraordinary items, inflated by 2.66%, the inflation factor should be removed. The 2002 projected additions are overstated based on actual experience through August. The application of an inflation factor to these already overstated amounts for determining the 2003 addition level is not appropriate. The calculation of the overall reduction to projected test year plant in service of $11,144,341 is presented on Exhibit__(DD-1), Schedule B-4. (DeRonne) (OPC POD 9, Staff POD 25).

This recommended adjustment is considered conservative because the Company's rebuttal witness, J. Paul Higgins, has indicated that the projected 2003 plant additions are expected "to be approximately $48.3 million rather than the $60.2 million included in the files MFRs." This reduction has not been reflected in Citizens' recommendation.

<u>ISSUE 13</u>: What is the appropriate projected test year Depreciation Reserve? (Gardner)

Citizens' Position: The projected test year depreciation reserve should be reduced by $228,628 based on Citizens' recommended reduction to projected test year plant in service and the Company's requested depreciation rates. The calculation was presented on Exhibit__(DD-1), Schedule C-6. The depreciation rates used in the calculation should be replaced with the rates ultimately adopted by the Commission in the Company's on-going depreciation case, Docket No. 010383-GU. (DeRonne)

<u>Issue 14:</u> 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? (E. Bass) (OPC Witness, DeRonne)

Citizens' Position: Yes, working capital should be reduced by $151,738. The Company implemented several cost savings measures that will result in reductions to inventory levels. These include strategic alliances and standardizations. The historic test year average materials and supplies balance was $933,267. The Company increased this amount to $1 million for the projected test year. The most recent 13-month average materials and supplies balance was $848,262. Projected test year working capital should be reduced $151,738 to reflect the most recent 13-month average materials and supplies balance. (DeRonne) (OPC Interrogatories 4 and 29; Peoples' 8/31/02 Trial Balance).

<u>ISSUE 15</u>: Should conservation overrecoveries be included in calculation of working capital? (L. Romig)

Citizens' Position: All cost overrecoveries should be included in working capital as a reduction to working capital.

STAFF PROPOSED
STIPULATION: Yes. Conservation overrecoveries should be included in working capital which results in a $252,865 reduction in working capital.

ISSUE 16: Has Peoples removed the appropriate amount of Miscellaneous Current Liabilities from working capital? (Kaproth)

Citizens' Position: No position at this time.

ISSUE 17: What is the appropriate projected test year Working Capital Allowance? (Kaproth)

Citizens' Position: Projected test year working capital should be reduced by $151,738. (DeRonne) (Ex._DD-1, Sched. B-1, p. 1 of 2)

ISSUE 18: What is the appropriate projected test year Rate Base? (Kaproth)

Citizens' Position: Citizens' recommended projected test year rate base, at this time, is $490,048,282, as shown on Exhibit__(DD-1), Schedule B-1. (DeRonne)

ISSUE 19: What is the appropriate return on common equity for the projected test year? (D. Draper)

Citizens' Position: The appropriate return on common equity for the projected test year is 10.10%. (Cicchetti)

ISSUE 20: What is the appropriate Equity Ratio? (D. Draper)

Citizens' Position: The appropriate equity ratio for the projected test year is 50% of investor capital. Peoples' equity ratio for the projected test year should be adjusted to 50% of investor capital to ensure that only the reasonable and prudent costs associated with the provision of utility service are incorporated into rates. (Cicchetti)

ISSUE 21: What is the appropriate cost of Long- and Short-Term Debt? (D. Draper)

Citizens' Position: Pending analysis of recently received discovery, the costs of long-term and short-term debt are 7.81%, and 4.00%, respectively. (Cicchetti)

ISSUE 22: What is the appropriate amount of accumulated deferred taxes to include in the capital structure? (Kenny)

Citizens' Position: The projected accumulated deferred taxes included by Peoples in its proposed capital structure should be increased by $7,992,760 to reflect the estimated additional deferred income taxes that will result from the bonus depreciation deduction allowed for in the Economic Stimulus Package that was signed into law on March 9, 2002. The calculation of this estimated adjustment is presented in Exhibit__(DD-1), Schedule D, page 2. The Economic Stimulus Package allows for an additional first-year depreciation deduction equal to 30% of the adjusted basis of qualified property placed into service after September 10, 2001 and before September 11, 2004. In addition to the 30% bonus depreciation in the first year, the otherwise allowable tax depreciation rate is then also applied in the first year to the remaining balance. The Company's filing did not include the impacts of this new bonus tax depreciation. The Company was asked to provide the projected impact on accumulated deferred income taxes included in the filing for 2002 and 2003 for the projected plant additions. Since the Company did not provide the requested impact on accumulated deferred income taxes for 2002 and 2003 from the bonus depreciation, OPC has estimated the impact at $7,992,760 based on the information available. This results in a total amount of accumulated deferred taxes to include in the reconciled capital structure of $23,571,457. (DeRonne, Cicchetti) (Citizens' Interrogatory 8)

ISSUE 23: What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure? (Kenny)

Citizens' Position: The appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure is $686,068, at zero cost.

ISSUE 24: Has FAS 109 been appropriately reflected in the capital structure, such that it is revenue neutral? (Kenny)

Citizens' Position: No position at this time.

ISSUE 25: Have rate base and capital structure been reconciled appropriately? (D. Draper)

Citizens' Position: The rate base and capital structure should be reconciled as shown on Exhibit MAC-10 (Cicchetti)

ISSUE 26: What is the appropriate weighted average cost of capital for the projected test year? (D. Draper)

Citizens' Position: Pending review of recently received discovery, the appropriate weighted average cost of capital for the projected test year is 8.14%. (Cicchetti)

REVENUES

ISSUE 27: Has Peoples properly removed PGA revenues, expenses, and taxes-other from the projected test year? (L. Romig)

STAFF PROPOSED
STIPULATION: Yes. People's properly removed $96,037,188 in PGA revenues, $95,556,775 in gas costs and $480,413 in revenue-related taxes from the projected test year.

ISSUE 28: Has Peoples properly removed conservation revenues, expenses, and taxes-other from the projected test period? (L. Romig)

STAFF PROPOSED
STIPULATION: Yes. Since People's did not include conservation revenues, expenses or taxes – other in the projected test period no adjustment is appropriate.

ISSUE 29: Should an adjustment be made to revenues to recognize the new credit card usage charge? (L. Romig)

Citizens' Position: For calculating revenue requirement in this case, Citizens recommend that the amount of expense included in the test year for customer payments by credit card be removed if the Company's proposed credit card fee is adopted. The historic test year expense for customer payments by credit card were $230,684. If Citizens' recommended inflation rate of 2.0% is adopted, the adjusted projected test year expenses should be reduced by $240,004 to remove these fees. The Company has proposed a credit card fee of 3.5% for customers paying by credit card, based on the average percentage fee per amount paid by credit card. In order to remove the impacts of the credit card payments from the test year, the Citizens' recommended approach is to remove the actual fees included by in the projected test year, instead of adding projected revenues. This approach would zero-out the impact on revenue requirement. (DeRonne) (Staff POD 21)

ISSUE 30: Should revenues be adjusted to correct for an understatement in projected test year revenues?

STAFF PROPOSED
STIPULATION: Yes. Revenues should be increased $75,485 to correct for an understatement in projected test year 2003 revenues.

ISSUE 31: Should Off-System Sales be excluded from Jurisdictional Operating Revenues? (E. Bass, L. Romig)

Citizens' Position: No. Under the Company's off-system sales rate schedule, 50% of certain gains are booked as revenues above the line to help meet revenue requirements, with the remaining 50% flowing back to ratepayers as a credit in the Purchased Gas Adjustment Clause. The amount included in regulated revenues should be included in the revenue requirement calculation. These off-system sales have been increasing in recent years, and nothing shows that the Company intends to discontinue making off-system sales. Profitable off-system sales of extra capacity should be pursued, and no information has been provided to show that the Company intends to change its practice. Revenues should be increased by $3,711,488 to reflect the most recent twelve-month actual non-fuel off-systems sales as of August 2002. (DeRonne) (Citizens' Interrogatory 1)

ISSUE 32: What is the appropriate amount of projected test year total Operating Revenues? (L. Romig)

Citizens' Position: Total operating revenues should be $151,893,217. This is based on the projected test year amount included in the Company's filing of $148,181,729 plus off-system sales of $3,711,488. (DeRonne)

EXPENSES

ISSUE 33 Should an adjustment be made to recognize any gains on disposition of utility plant? (L. Romig)

STAFF PROPOSED

STIPULATION: Yes. The $346,466 gain on the sale of property located at 2951 SW 1st Terrace in Ft. Lauderdale should be amortized over 4 years beginning January 1, 2003, or a reduction in O&M expenses of $86,617.

ISSUE 34 Are the trend rates used by Peoples to calculate projected O&M expenses appropriate? (Hewitt, Lester, D. Draper)

STAFF PROPOSED
STIPULATION: The trend rates contained in MFR Schedule G-2, page 231, should be adjusted to reflect OPC's CPI Inflation trend factor of 2 percent for 2002 and 2003. Adoption of this change impacts the Inflation Only and the Customer Growth X Inflation trend factors. Note that this stipulation pertains only to the appropriateness of the trend factors themselves. The appropriateness of the application of these trend factors is addressed in Issue 37. This change results in the following trend factors:

Trend Rates	2002	2003
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%

ISSUE 35 Has Peoples used the appropriate trend basis for each O&M account? (E. Bass, Kaproth)

Citizens' Position: No. Citizens' recommended trending adjustments are presented in Exhibit__(HWS-1), Schedules A and B. The Company's use of combined customer growth and payroll trend rate for projecting 2003 payroll expense is not appropriate. Only the payroll trend rate of 3% should be applied to 2001 payroll costs for 2002 and 2003 to project payroll costs. The Company has had a steady decline in employees while also experiencing customer growth. From 1992 to 2001, the average number of customers has increased 45.3%. During the same time period, the number of Peoples employees has decreased 38.7%. Clearly, application of a customer growth rate on payroll costs is not appropriate, nor is it reflective of actual circumstances for Peoples.

For some of the non-payroll portions of O&M accounts, the Company has applied a combined customer growth and inflation trend rate. This also is not appropriate. For the accounts in which Peoples utilized this combined trending rate to project 2003 costs, there is no justification for the application of the combined rate. Actual experience for the last ten years for Peoples shows no correlation whatever between combined customer growth and inflation with changes in expense levels. In fact, several O&M expense accounts have decreased from 1992 to 2001, not increased. Other accounts have increased slightly, but not to the level that would result from a combination of customer growth and inflation.

With the exception of Account 921, Peoples' "Other Trended" costs should be trended by Citizens' recommended 2.00% inflation factor for 2002 and 2003. For Account 921, the combination of the increase in that account for payroll trending and the increase for the Company's "Other Not Trended" adjustment to that account results in a 2.25% increase in this account from the historic test year to the projected test year. The amount is also higher than the historic four-year average amount for this account. For Account 921, it is not appropriate to apply a general inflation factor. Costs included in Account 921 from an affiliated company are further addressed in Citizens' Position in Issue 40A. (Schultz) (Citizens' Interrogatories 24, 50, 51, 52, 53 and 60)

ISSUE 36: Should the projected test year O&M expense be adjusted for the effect of any changes to the trend factors? (E. Bass, Kaproth)

Citizens' Position: Yes. O&M expense should be reduced by $1,198,657 for Citizens' recommended revisions to the payroll trending, as provided on Exhibit__(HWS-1), Schedule A. O&M expense should be reduced by $1,868,945 for Other Trended Expense items, as calculated on Exhibit__(HWS-1), Schedule B. Additionally, Account 922 is where the Company reflects the amount for cost allocations to other affiliates. Several of Citizens' recommended adjustments to O&M expense accounts impacts the amount of billing back to affiliates. Consequently, expenses in O&M Account 922 should be increased by $435,658 to reflect the impact of a number of Citizens' expense adjustments, including the trending adjustments, on the level of billings to affiliates by Peoples. The calculation of the necessary adjustment is presented on Exhibit__(HWS-1), Schedule C. (Schultz) (Citizens POD 49 and 50)

ISSUE 37: Should an adjustment be made to reduce expenses to reflect non-utility operations?

Citizens' Position: No position at this time. (**This may change depending on whether Staff submits testimony on this issue and what it says)**

ISSUE 38: Should an adjustment be made to the allocations of inter-company costs? (Kaproth, E. Bass)

Citizens' Position: Yes. Citizens have recommended several adjustments impacting projected test year O&M expense for charges to Peoples from TECO Partners, Inc., Tampa Electric and TECO Energy. See Issues 35 and 38A for Citizens position on costs allocated to Peoples from affiliates.

ISSUE 39: Should an adjustment be made for lobbying expenses? (E. Bass)

Citizens' Position: If any additional lobbying expense remain in the projected test year that have not been removed by Peoples in it's filing, then they should be removed. (DeRonne)

ISSUE 40: What is the appropriate amount of rate case expense and what is the appropriate amortization period for that expense? (Kaproth)

Citizens' Position: The appropriate amount of rate case expense is Zero (0). Citizens believe that Peoples is over earning by approximately $6 Million. As such, Peoples' filing before this Commission for a revenue increase was imprudent. Peoples should not be rewarded for its imprudence at the expense of Peoples' ratepayers. The Public Service Commission should thus grant No rate case expense to the Company. If the Commission chooses to grant some rate case expense to Peoples, any amount so granted should be amortized over a period greater than (4) years, given that it has been ten (10) years between rate cases for Peoples. (DeRonne)

ISSUE 41: Should an adjustment be made to bad debt expense? (L. Romig, E. Bass)

STAFF PROPOSED
STIPULATION: Yes. Bad Debt Expense, account 904, should be reduced $633,606 to reflect a 4 year average of net write-off's as a percent of revenues, excluding off system sales.

ISSUE 42: Should an adjustment be made for charitable contributions? (E. Bass)

Citizens' Position: Yes. All charitable contributions should be removed from the projected test year. See Issue 33 and Exhibit__(DD-1), Schedule C-4 for additional information and amounts. (DeRonne)

ISSUE 43: Should an adjustment be made to remove image building or other inappropriate advertising expenses? (Kaproth)

Citizens' Position: Yes. Citizens' Exhibit__(DD-1), Schedule C-4 provides a three-page listing of items the Company has classified as advertising expense which are included above the line that Citizens recommend be removed from the projected test year. These items are either promotional in nature or are contributions/donations made by the Company. Examples of items removed include $25,000 paid to the American Gas Foundation for charitable contributions, sponsorships for art festivals and fishing and golf tournaments, a parade float, FSU football sponsorship, and promotional golf balls. A detailed listing of the items, including vendor name, description and amount, are provided in Exhibit__(DD-1), Schedule C-4, resulting in a $122,796 reduction to historic test year expenses. These expenses are included in the items trended by the Company. Assuming Citizens' trending recommendations are adopted, the adjusted projected test year expenses should be reduced $127,757. (DeRonne) (Citizens POD 64)

ISSUE 44: Should an adjustment be made to remove expenses for company parties, picnics, or similar social company activities? (L. Romig)

STAFF PROPOSED
STIPULATION: Yes, account 921 should be reduced $17,253 to remove employee dinners and account 926 should be reduced $10,190 for tuition reimbursement for non Peoples employees for a total reduction of $27,443 of projected test year expenses after application of the trend factors.

ISSUE 45: Should an adjustment be made for Economic Development Activities? (E. Bass)

Citizens' Position: No position at this time.

ISSUE 46: Is the Company's "Other Not Trended" adjustment for increased postage costs reasonable? (E. Bass)

Citizens' Position: No position at this time.

ISSUE 47: Should payroll expense and related costs such as payroll taxes be reduced to reflect the decline in the number of employees? (L. Romig) (OPC Witness, Schultz)

Citizens' Position: Yes. By including customer growth in the payroll trending factor, the Company has increased historic test year payroll expense by $1.2 million for new employees. Peoples' employee level has declined since the historic test year, and has been declining for some time. Peoples' employee count declined from 686 at December 31, 2000 to 655 at December 31, 2001 and 646 at the end of August 2002. The yearly average employee level has dropped 20 employees from the historic test year through August 2002. This decline since the historic test year should be reflected in setting rates. First, the customer growth factor included in the payroll trending should be removed, resulting in a $1,198,657 decrease in projected test year payroll expense, as calculated on Exhibit__(HWS-1), Schedule A. Second, payroll expense should be reduced by $625,543 based on the average historic test year payroll expense of $31,277 per employee times the 20-employee reduction.

Projected test year payroll tax expense should be reduced by $211,954 to reflect the impact on payroll taxes resulting from Citizens' recommended adjustments to remove the customer growth from payroll trending, reduce payroll expense for 20 positions, and reduce incentive compensation expense. The appropriate adjustment is calculated on Exhibit__(HWS-1), Schedule F. (Schultz) (Citizens Interrogatory 24)

<u>ISSUE 48</u>: Should costs associated with incentive compensation be reduced? (E. Bass) (OPC Witness, Schultz, DeRonne)

Citizens' Position: Yes. Incentive compensation expense should be reduced by $856,343 for the portion of goals that primarily benefit shareholders. Additional information is provided in the confidential testimony of Citizens' Witness Helmuth W. Schultz, III. The calculation of the recommended reduction is presented on Exhibit__(HWS-1), Schedule D.

Additionally, the executive stock grants included in the projected test year, in Account 926, should be removed. The amounts of grants are not known and measurable. The value will be based, in part, on TECO Energy's stock price during 2003, which is not known at this time. The executive stock grants are additional compensation for a select few executive employees that is above and beyond the other compensation amounts already included in the filing. The amount of necessary adjustment to remove the executive stock grants is provided in the confidential testimony of Citizens' witness Donna DeRonne. Also, the amount of executive stock grants allocated to Peoples from TECO Energy of $289,975 in the historic test year should be removed, as shown on Exhibit__(HWS-1), Schedule H. (Schultz, DeRonne) (Citizens PODs 36, 37, 49 and 50; Citizens Interrogatories #13 and #31 - supplemental information)

<u>ISSUE 49</u>: Is the Company's "Other Not Trended" adjustment for Outsourcing Costs in its Sales and Marketing function reasonable?

Citizens' Position: No. Projected expenses in Account 912 – Sales Expense should be reduced by a bare minimum amount of $802,122. A significantly larger reduction may be appropriate. The "Other Not Trended" adjustment for outsourcing costs in the sales and marketing function pertain entirely to projected charges to Peoples from its affiliated company, TECO Partners, Inc. Prior to the historic base year, Peoples' employees performed the marketing and sales function in-house. During 2000, a Peoples' employee went to upper management with a proposal to split off the marketing function from Peoples, purportedly bringing cost reductions to Peoples as a result. According to Peoples, it was indicated at the time of the split-off that the reductions in sales and marketing costs to Peoples in the first year would be 10%, with additional cost reductions thereafter. As a result, beginning in 2001, TECO Partners, Inc. was formed from Peoples employees and Peoples and TECO Partners, Inc. entered a marketing agreement. Under the agreement, the previous Peoples employees provide marketing and sales services under this separate non-regulated entity. Actual expenses in the historic test year in Account 912 – Sales Expense, for charges from TECO Partners, Inc., were $8,149,404. The Company's filing reflects a 3% annual decline in these charges, resulting in the projected test year level of $7,723,586 for charges from TECO Partners, Inc. in Account 912. Total expenses in Account 912 - Sales Expense, in the year 2000 - - the year prior to the split-off of TECO Partners, Inc. - - was only $3,022,421. The Company indicated that sales and marketing expenses were recorded in several other accounts prior to 2001.

No requests for bids were sent out to other outside companies for the provision of the marketing and sales function prior to the entering of the marketing agreement with the affiliate company, nor were any requests for bids sent out thereafter. Neither were any cost/benefit analyses or studies conducted by or for the Company to help determine whether to outsource its sales and marketing function. This would mean that no cost/benefit analyses were conducted by or for the Company prior to deciding to separate its Peoples employees, who were regulated-company employees, to create a nonregulated affiliate and then bill Peoples for receiving the services of its previous employees. According to Peoples, no analysis was even performed to determine how the specific billing amounts and rates contained in the marketing agreement between Peoples and the new, affiliated company would be established.

Even after the reductions to other expense accounts subsequent to the split-off are taken into consideration, the marketing and sales costs to Peoples have not declined by the 10% purported at the time of the initial split-off. Based on information provided by the Company, 2000 expenses associated with the sales and marketing functions now conducted by TECO Partners, Inc. would have been $8,173,574. The 2001 sales expenses recorded in Account 912 for charges from TECO Partners, Inc. were $8,149,404, which is clearly not a 10% decline in sales and marketing costs. Additional concerns regarding the actual terms of the marketing agreement, along with the overall estimated amount in the marketing agreement, is provided in the Confidential Testimony of Citizens' Witness Donna DeRonne.

The calculation of Citizens' minimum recommended reduction to the projected test year sales and marketing expense to be charged from TECO Partners, Inc. of $802,122 is presented on Exhibit__(DD-1), Schedule C-3. This minimum recommended adjustment is based on a 10% reduction in marketing and sales costs for the first year of the agreement with TECO Partners, Inc., and 3% decreases for each year thereafter. (DeRonne) (Citizens' POD 52 and 63, Staff Audit Document/Record Request No. 18, information faxed from PGS and provided by PGS to Staff)

ISSUE 50: Should the Commission order a further investigation into the relationship between Peoples and TECO Partners, an affiliated Company? (Kaproth, E. Bass) (OPC Witness, DeRonne)

Citizens' Position: Yes. The marketing agreement between Peoples and TECO Partners, Inc. does not represent an arms-length transaction. Just prior to entering the agreement, TECO Partners, Inc. was formed with employees of Peoples, thus shifting these sales and marketing employees from Peoples' regulated operations to a newly formed non-regulated entity. These employees would have been trained in sales and marketing, and would have become highly familiar with Peoples' customers, customer base and service territory while employed by Peoples Gas System and while their salaries were effectively being paid by Peoples' ratepayers. That sales and marketing expertise now is not only being charged back essentially to Peoples Gas System, but it is also being used to serve and pursue additional customers for TECO Partners, Inc.

No cost/benefit analysis was performed by or for Peoples prior to separating these employees into a nonregulated affiliate, and no cost/benefit analysis was performed by or for Peoples prior to entering the marketing agreement. This marketing agreement resulted in $8,149,404 of expense recorded on Peoples' regulated books in Account 912 during the historic test year. While Company witness Frank Sivard mentions the outsourcing of the sales and marketing function in his prefiled testimony, he never mentions in that testimony that this sole source was with an affiliated, sister company that essentially was split off from Peoples just before the agreement was entered. Information provided by Peoples with regard to its relationship with the recently formed, affiliated entity has been very little, incomplete, and not fully explanatory. Significant concerns exist with the relationship between Peoples and TECO Partners, Inc., along with concerns regarding the initial formation of TECO Partners, Inc. with Peoples employees. If any costs are allowed in rates for charges from TECO Partners, Inc. to Peoples, Citizens recommend that the Commission order further investigation of the relationship and resulting impact on Peoples' rates and its customers, along with any potential future harm to Peoples' customers as a result of the sales and marketing function no longer being conducted in-house by Peoples with Peoples' own trained employees dedicated to only serving Peoples. (DeRonne)

ISSUE 51: Should an adjustment be made to rent expense? (L. Romig)

STAFF PROPOSED
STIPULATION: Yes. Account 931 Rents should be reduced $22,636 to reflect rent on facilities replaced with Company-owned facilities.

ISSUE 52: Is the Company's "Other Not Trended" adjustment for the Customer Retention Program included in Miscellaneous Sales Expense appropriate? (Kaproth)

Citizens' Position: No, it is not. The Company's adjustment to increase expense in Account 916 for the new customer retention program by $250,000 should be removed. The goal of the program is to increase gas appliance penetration to customers who currently have only one gas appliance. The program was developed to reduce customer loss associated with single-appliance customers. The Company has not made an adjustment to projected customer usage for the customers it projects will add additional gas appliances as a result of this program, causing a mismatch between revenues and costs. Projected per-customer usage for the residential class is based on five-year average therms per customer, which have not been increased for the impact of the proposed customer retention program. Additionally, the program would result in savings of approximately $300 per customer retained associated with the cost of removal. These projected savings have not been reflected in the filing. Furthermore, there are significant customer retention incentives in the Marketing Agreement between Peoples and TECO Partners, Inc., whereby TECO Partners, Inc. will perform customer retention services. Thus, there has not been a showing that Peoples should pay its non-regulated affiliate to perform such services and also perform such customer retention programs independently. (DeRonne) (Staff Interrogatory 57)

ISSUE 53: Should an adjustment be made to periodic meter and regulator change-out expense? (Kaproth, Mills)

Citizens' Position: Yes. The Company entered a cost savings program identified as Meter and Regulatory Strategic Alliances on August 1, 2002. The Company has projected $850,000 of cost savings over a three-year period for this program. The cost savings associated with this program have not been reflected in the projected test year. Projected expenses should be reduced by $275,000 to reflect approximately 1/3rd of the projected cost savings. (Schultz) (Citizens' Interrogatories 4 and 5)

ISSUE 54: Is the Company's “Other Not Trended” adjustments to Account 921 – Office Supplies and Expenses reasonable? (E. Bass)

Citizens' Position: No, it is not. Substantial charges to Peoples from its parent company and affiliated company, TECO Energy and Tampa Electric, are included in Account 921. Charges to Peoples from Tampa Electric should be reduced by a minimum of $1,344,517. Charges to Peoples from TECO Energy should be reduced $730,861. While Citizens have calculated several adjustments to charges from TECO Energy and Tampa Electric, the remaining projected costs from these related entities continues to be a concern due to the lack of supporting information provided by Peoples. For several cost areas, very little information was provided, with little other than one-line descriptions of the costs. The invoices from Tampa Electric to Peoples are summarized and provide only very broad general descriptions of the costs charged. As Tampa Electric has not provided a sufficient level of detail for review by Peoples, the Public Counsel and the Commission Staff, the appropriateness and/or reasonableness of the remaining Tampa Electric charges to Peoples cannot be fully ascertained. Consequently, even larger adjustments than those presented by Citizens to date may be appropriate.

There have been significant fluctuations in the costs charged to Peoples from Tampa Electric in recent years. Total operating charges billed by Tampa Electric to Peoples were $12,429,287 in 1999, $13,067,185 in 2000 and $10,566,311 in the 2001 historic test year. Despite the significant decrease in charges between 2000 and 2001, Peoples projected test year includes an increase in the charges from Tampa Electric. There is no way to determine from the information and work papers provided by the Company why the cost is projected to increase. At a minimum, Citizens are recommending two adjustments to projected charges to Peoples from Tampa Electric for costs in Account 921. First, the difference between the projected 2003 "Other Not Trended" costs in Account 921 and the historic 2001 "Other Not Trended" costs in this account should be removed, reducing projected expense by $325,300. The Company has not provided information justifying this projected cost increase. Second, the base year Tampa Electric charges of $10,566,311 should be reduced by $1,019,217. This adjustment is based on the annualization of the August 2002 year-to-date charges from Tampa Electric, resulting in annualized charges of $9,547,094. The majority of charges from Tampa Electric are recorded in Account 921.

As the Company has refused to this point to provide Tampa Electric variance explanations for the reduction of charges from 2001 to 2002, Citizens are unable to determine whether or not an even larger adjustment is necessary. Furthermore, very little detail has been provided for the actual costs billed to Peoples. Even further adjustments to the August 2002 year-to-date charges from Tampa Electric, which were annualized in Citizens' recommendation, may be appropriate.

Charges from TECO Energy to Peoples should be reduced by $730,861 to remove excessive and inappropriate costs. Exhibit__(HWS-1), Schedule H provides the calculation of the recommended adjustment. The necessary adjustment removes $74,766 of incentive compensation costs allocated from TECO Energy, $159,647 of costs attributed to nonqualified Supplemental Executive Retirement Plan, $289,975 for restricted stock grants (also addressed in Issue 37C), $21,300 for costs identified as "Allocate Stadium Costs/Cent. Celeb.," $10,173 for executive food, and $175,000 identified as "TECO Arena" costs. These excessive costs incurred by TECO Energy should not be funded by Peoples ratepayers and should be removed. (Schultz) (Citizens' Interrogatories 13 and 31)

<u>ISSUE 55</u>: Is the Company's "Other Not Trended" allocation adjustments to Account 922 - A&G Transferred reasonable? (Kaproth)

Citizens' Position: Account 922 includes costs charged to other affiliates by Peoples. Several of Citizens' recommended adjustments to O&M expense accounts impacts the amount of billing back to affiliates. Consequently, expenses in O&M Account 922 should be increased by $435,658 to reflect the impact of various Citizens' expense adjustments, including the trending adjustments, on the level of billings to affiliates by Peoples. The calculation of the necessary adjustment is presented on Exhibit__(HWS-1), Schedule C. This is also discussed in Citizens' Position for Issue 38. (Schultz) (Citizens POD 49 and 50)

<u>ISSUE 56</u>: Is the Company's "Other Not Trended" adjustment to Account 926 - Pensions and Benefits reasonable? (E. Bass)

Citizens' Position: The Company's "Other Not Trended" adjustment to Account 926-Pensions and Benefits should be reduced to remove the costs associated with the executive stock grants included in the projected test year. The future cost of the stock grants is not known and measurable. The value will be based, in part, on TECO Energy's stock price during 2003, which is not known at this time. Additionally, the executive stock grants are additional compensations for a select few executive employees that are above and beyond the other compensation amounts already included in the filing. The amount of necessary adjustment to remove the executive stock grants is provided in the confidential testimony of Citizens' witness Donna DeRonne. This is also addressed by Citizens in Issue 37C. (DeRonne) (Citizens PODs 49 and 50)

<u>ISSUE 57</u>: Is the Company's "Other Not Trended" adjustment to Account 930 - Miscellaneous General Expenses for natural gas technical research appropriate? (Kaproth)

Citizens' Position: While the OPC had not previously taken a position on this issue in this case, Citizens are concerned that the amount included in the projected test year for this item -- $500,000 -- is overstated. The actual amounts paid to the Gas Technology

Institute by Peoples have declined substantially, from $742,746 in 2000 to $371,966 in 2001. The amount paid in 2002 through mid-October was only $225,470. In 2001, the Company only paid the amount that was mandatory in that period, with no additional voluntary payments. Despite the substantial decline in the amount paid in the projected test period. It would be appropriate to include the amount in base rates for payments to the Gas Technology Institute at the historic test year level of $371,966, which is a $128,034 reduction from the amount included in the Company's filing. (Staff Interrogatory No. 60)

ISSUE 58: What is the appropriate accounting treatment and annual amortization to recover estimated clean-up costs of Peoples manufactured gas plant sites? (L. Romig, E. Bass)

Citizens' Position: No position at this time.

STAFF PROPOSED
STIPULATION: 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.

ISSUE 59: What is the appropriate amount of projected test year O&M Expense? (E. Bass)

Citizens' Position: Projected test year O&M expense should be no more than the $51,180,187 presented on Citizens' Exhibit__(DD-1), Schedule C-1. This is $9,266,864 less than the amount included in the Company's filing. Additional adjustments further reducing this O&M expense amount may be appropriate, as addressed in the previous issues, such as Issue 40A pertaining to charges to Peoples from Tampa Electric. (DeRonne, Schultz)

ISSUE 60: What is the appropriate amount of projected test year Depreciation and Amortization Expense? (Gardner)

Citizens' Position: The appropriate amount of projected test year Depreciation and Amortization Expense, based on the Company's requested depreciation rates, is $32,819,629, as presented in Citizens Exhibit__(DD-1), Schedule C-1. This is $457,256 less than the amount requested by Peoples. However, the depreciation rates used to calculate the appropriate depreciation expense for inclusion in base rates should be replaced with the rates ultimately adopted by the Commission in the Company's on-going depreciation case, Docket No. 010383-GU. (DeRonne)

ISSUE 61: What is the appropriate amount of Taxes Other Than Income Taxes? (Kenny)

Citizens' Position: Citizens' recommended taxes other than income taxes is $9,348,769, as presented on Exhibit__(DD-1), Schedule C-1. (Schultz, DeRonne)

ISSUE 62: What is the appropriate Income Tax Expense, including current and deferred income taxes, ITC amortization, and interest synchronization? (Kenny)

Citizens' Position: The appropriate income tax expense is a fall-out calculation from the resolution of other issues. Citizens' initial position in the prefiled testimony is that income tax expense, including current and deferred income taxes, ITC amortization and interest synchronization, should be $14,242,388. However, any additional reductions to projected expenses beyond those included in Exhibit__(DD-1) would also impact income tax expense. Citizens' recommended interest synchronization is a reduction to income tax expense of $348,391 based on Citizens' recommended rate base and weighted cost of debt. (DeRonne)

ISSUE 63: What is the appropriate level of Total Operating Expenses for the projected test year? (E. Bass)

Citizens' Position: The appropriate Total Operating Expenses is a fall-out calculation from the resolution of other issues. Total Operating Expenses should be no more than the $108,230,973 included on Exhibit__(DD-1), Schedule C-1. However, any additional reductions to projected expenses beyond those included in Exhibit__(DD-1), such as additional adjustments for projected payments to the Gas Technology Institute (Issue 44A) and charges from Tampa Electric (Issue 40A), would further reduce this amount.

ISSUE 64: What is the appropriate amount of projected test year Net Operating Income? (E. Bass)

Citizens' Position: The appropriate projected test year Net Operating Income is a minimum of $43,662,224, as presented on Exhibit__(DD-1), Schedule C-1. Additional reductions to projected expenses may be appropriate, as discussed in the other issues such as Issues 40A and 44A, causing the projected net operating income to increase further.

ISSUE 65: What is the appropriate projected test year revenue expansion factor to be used in calculating the revenue deficiency? (L. Romig) (OPC Witness, Schultz)

STAFF PROPOSED
STIPULATION: The appropriate revenue expansion factor to be used in calculating the revenue deficiency is 1.6429 after reducing the Bad Debt component from .4429% to .4027%?

ISSUE 66: What is the appropriate projected test year revenue deficiency? (E. Bass)

Citizens' Position: The appropriate projected test year revenue sufficiency is a minimum of $6,192,631. In other words, Citizens recommend that Peoples' rates be reduced by a minimum of $6,192,631. An even larger reduction may be appropriate based on the resolution of other issues.

ISSUE 67: Should any portion of the $1,461,000 interim increase granted by Order No. PSC-02-PCO-GU, issued September 9, 2002, be refunded to customers? (Kaproth)

Citizens' Position: Yes. The amount of refund should be calculated in accordance with the criteria set forth in Section 366.071, Florida Statutes (2001).

ISSUE 68: 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? (L. Romig)

STAFF PROPOSED
STIPULATION: Yes. Peoples should 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.

ISSUE 69: Are Peoples' estimated revenues from sales of gas by rate class at present rates for the projected test year appropriate? (Springer)

Citizens' Position: No position at this time.

ISSUE 70: What is the appropriate cost of service methodology to be used in allocating costs to the rate classes? (Wheeler, Springer)

Citizens' Position: No position at this time.

ISSUE 71: If the Commission grants a revenue increase to Peoples, how should the increase be allocated to the rate classes? (Wheeler)

Citizens' Position:

ISSUE 72: Is Peoples' proposal to apply uniform rates and service charges to all customers, including customers formerly served by West Florida Gas, appropriate? (E. Draper)

Citizens' Position: No position at this time.

ISSUE 73: Should any increase in rates for the customers of the former West Florida Natural Gas Company be phased in over several years? (E. Draper)

Citizens' Position: No position at this time.

ISSUE 74: What are the appropriate Miscellaneous Service Charges? (Baxter)

Citizens' Position: No position at this time.
ISSUE 75: What are the appropriate Customer charges? (Wheeler)

Citizens' Position: No position at this time.

ISSUE 76: What are the appropriate per therm Distribution Charges? (Wheeler)

Citizens' Position: No position at this time.

ISSUE 77: Are Peoples' proposed customer classes and riders and their associated therm requirements appropriate? (Springer)

Citizens' Position: No position at this time.

ISSUE 78: Is the Peoples' proposed methodology for billing interruptible customers for excess gas taken during a period of interruption appropriate? (Baxter)

Citizens' Position: No position at this time.

ISSUE 79: Is Peoples' proposal to collect the monthly Interruptible Transportation service administration fee on a per-meter basis appropriate? (E. Draper)

Citizens' Position: No position at this time.

ISSUE 80: Is Peoples' proposed new temporary turn-off charge appropriate? (Wheeler)

Citizens' Position: No position at this time.

ISSUE 81: Is Peoples' proposed new credit card use charge appropriate? (Baxter)

Citizens' Position: If the proposed new credit card use charge is approved, then historic test year expenses should be reduced by $230,684 to remove the impact of such costs from the revenue requirement calculation. See Citizens' Position for Issue 24A. (DeRonne)

ISSUE 82: Is Peoples' proposed new failed trip charge appropriate? (Baxter)

Citizens' Position: No position at this time.

ISSUE 83: Is Peoples Gas System's proposed change to the definition of Maximum Allowable Construction Cost appropriate? (Wheeler)

Citizens' Position: No position at this time.

ISSUE 84: What is the appropriate effective date for Peoples Gas Systems revised rates and charges? (Wheeler)

Citizens' Position: The appropriate legal requirements of the Commission.

ISSUE 85: Is the proposed change to the definition of Weighted Average Cost of Capacity contained in Peoples' Individual Transportation Service Rider appropriate? (Wheeler)

Citizens' Position: No position at this time.

ISSUE 86: Should this docket be closed? (Vining, L. Romig, E. Bass)

Citizens' Position: No position at this time.

Stipulated Issues

Citizens have stipulated to no issues; however, we do not object to the other parties stipulating to issues numbers 3, 12A, 23, 24, 26, 28A, 31, 34, 36, 39, 49 and 52.

Pending Motions

Citizens have a motion pending:

CITIZENS' MOTION TO STRIKE TESTIMONY OR IN THE ALTERNATIVE, EXPEDITED MOTION TO COMPEL PRODUCTION AND RESPONSIVE ANSWERS TO DISCOVERY REQUESTS AND TO EXTEND FILING DATE FOR TESTIMONY.

Pending Requests or Claims for Confidentiality

Citizens have no pending requests or claims for confidentiality. However, some of the testimony filed by Citizens' witnesses contains information that Peoples Gas

System claims to be confidential. It is, of course, incumbent upon Peoples to justify its claim.

Requirements of Order Establishing Procedure

Citizens believe that we have complied with the requirements of the order establishing procedure.

Objections to Witness's Qualification as an Expert

Citizens have no objection to any witness's qualifications as experts.

Other Matters

Respectfully submitted,

JACK SHREVE
PUBLIC COUNSEL

H F. Rick Mann
Associate Public Counsel
Fla. Bar No. 217281

Office of Public Counsel
c/o The Florida Legislature
111 W. Madison Street
Room 812
Tallahassee, FL 32399-1400

(850) 488-9330

Attorney for Florida's Citizens

DOCKET NO. 020384-GU
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing Prehearing Statement has been furnished by U.S. Mail or hand-delivery* to the following parties on this 14 th day of November 2002.

H F. Rick Mann

Adrienne Vinning*
Office of General Counsel
Fla. Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Vicki Gordon Kaufman*
Timothy J. Perry
McWhirter, Reeves, McGlothlin, Davidson, Decker, Kaufman, & Arnold, P.A.
117 South Gadsden Street
Tallahassee, FL 32301

Ansley Watson, Jr.
Macfarlane Ferguson Law Firm
P.O. Box 1531
Tampa, FL 33601-1531

Matthew Costa
TECO Energy, Inc.
P.O. Box 111
Tampa, FL 33601-0111

John W. McWhirter
McWhirter, Reeves, McGlothlin, Davidson, Decker, Kaufman & Arnold, P.A.
400 North Tampa St., Suite 3350
Tampa, Florida 33602

Ms. Angela Llewellyn
Peoples Gas System
Regulatory Affairs
P.O. Box 111
Tampa, FL 33601-0111

William Cantrell
Peoples Gas System
P.O. Box 2562
Tampa, FL 33601-2562

Robert Scheffell Wright
Diane T. Kiesling
John T. LaVia, III
Landers & Parsons, P.A.
310 West College Ave.
Tallahassee, FL 32301

Joseph A. Regnery, Esquire
Senior Counsel
Calpine Eastern Corporation
2701 North Rocky Point Drive
Suite 1200
Tampa, FL 22607

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 - 2nd Floor
Lewis Wharf
Boston, Massachusetts 02110