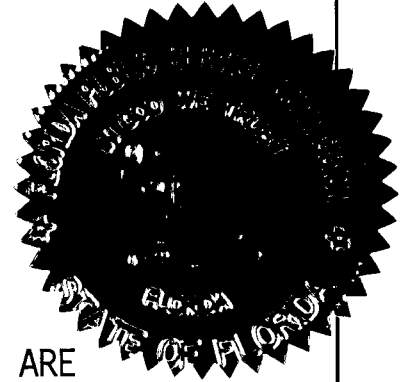


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 030438-EI

In the Matter of

PETITION FOR RATE INCREASE BY FLORIDA
PUBLIC UTILITIES COMPANY.



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PROCEEDINGS: MARIANNA SERVICE HEARING

BEFORE: COMMISSIONER J. TERRY DEASON
COMMISSIONER RUDOLPH "RUDY" BRADLEY
COMMISSIONER CHARLES M. DAVIDSON

DATE: Thursday, December 4, 2003

TIME: Commenced at 6:00 p.m. (CT)
Concluded at 6:45 p.m. (CT)

PLACE: Marianna Administration Building
County Commission Meeting Room
2864 Madison Street
Marianna, Florida

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

1 APPEARANCES:

2 NORMAN H. HORTON, JR., ESQUIRE, Messer Law Firm,
3 P.O. Box 1876, Tallahassee, Florida 32302-1876, appearing on
4 behalf of Florida Public Utilities Company.

5 STEPHEN C. BURGESS, ESQUIRE, Office of Public
6 Counsel, c/o The Florida Legislature, 111 West Madison Street,
7 Room 812, Tallahassee, Florida 32399-1400, appearing on behalf
8 of the Office of Public Counsel.

9 JENNIFER BRUBAKER, ESQUIRE and LORENA HOLLEY,
10 ESQUIRE, FPSC General Counsel's Office, 2540 Shumard Oak
11 Boulevard, Tallahassee, Florida 32399-0850, appearing on
12 behalf of the Commission Staff.

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PAGE

Opening Statement by Mr. Cutshaw

10

WITNESSES

NAME:

PAGE NO.

ROY BARKER

Direct Statement

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HARRY ROGERS

Direct Statement

21

SID RILEY

Direct Statement

24

CERTIFICATE OF REPORTER

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EXHIBITS

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P R O C E E D I N G S

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COMMISSIONER DEASON: Call the hearing to order.

Could I have the notice read, please.

MS. BRUBAKER: Pursuant to notice, this public service hearing is being held for this time and place in Docket 030438-EI. As stated, the purpose of the hearing is to take public testimony and comments as to the rates and service of Florida Public Utilities Company.

The procedure of the hearing is as follows: The company will present a brief summary of its case and the members of the public may testify. Members of the public who wish to present testimony are urged to appear at the beginning of the hearing, otherwise the hearing may be adjourned. Since the hearing may otherwise be adjourned, witnesses must be present to testimony, and all witnesses are subject to being cross-examined and also will testify pursuant to the oath.

COMMISSIONER DEASON: Thank you. Take appearances.

Mr. Burgess, we will start with you.

MR. BURGESS: My name is Steve Burgess, I'm with the Public of Counsel. We represent the citizens of the State of Florida, the customers of the utility.

COMMISSIONER DEASON: Mr. Horton.

MR. HORTON: Norman H. Horton, Jr., Messer, Caparello and Self, appearing on behalf of the petitioner, Florida Public Utilities Company.

1 MS. BRUBAKER: And Jennifer Brubaker appearing on
2 behalf of the Commission.

3 COMMISSIONER DEASON: Thank you.

4 First of all, are these microphones working okay?
5 Everyone can hear fine? Okay.

6 Let me take this opportunity to welcome everyone and
7 introduce myself. My name is Terry Deason. I am a
8 Commissioner on the Public Service Commission. I will be
9 chairing the hearing this evening. Seated to my right is
10 Commissioner Rudy Bradley. And we just had a telephone call
11 from Commissioner Davidson, he should be joining us
12 momentarily, so we are going to go ahead and begin with the
13 preliminaries. I'm sure he will be joining us by the time we
14 get to customer testimony.

15 If I failed to do so, I want to welcome everyone.
16 This is the opportunity for the Commission to hear from
17 customers on a number of issues. First of all, we are
18 interested in the quality of service that this company provides
19 to you. We are interested in the rate application that has
20 been filed, both as to the amount of the requested increase, as
21 well as the rate structure. Any thoughts or concerns, or
22 really if you have questions we will try to entertain those, as
23 well.

24 This is a formal hearing of the Commission. It is
25 being recorded by a court reporter over to my left. Your

1 testimony will become evidence in the record. And even though
2 it is a formal hearing, we try to be as informal as possible to
3 try to accommodate customers' concerns and questions, and we
4 will try to do that this evening, as well.

5 Ms. Brubaker, if you don't mind, if you will
6 introduce staff members that are here this evening.

7 MS. BRUBAKER: Certainly, Commissioner. To my right
8 is John Baxter, he is with our Economic Regulation Division,
9 specifically to do with the rates involved in this docket. To
10 my left is Jane Faurot, she is our court reporter and will be
11 transcribing the proceeding this evening. Dick Durbin is
12 standing in the back, most of you met him as you entered, he is
13 with our Consumer Affairs Division. And also Sandy Moses with
14 our Clerk's Office.

15 COMMISSIONER DEASON: I would encourage you, if you
16 have questions, Mr. Durbin in the back is certainly equipped to
17 help you with those questions, and if he has to do some
18 research and get back with you, I'm sure he would do that as
19 promptly as he can. I would anticipate there probably is a
20 representative here from the company. Mr. Horton, is there a
21 person here that customers can speak to at some point if they
22 have a question they wish to direct directly to the company?

23 MR. HORTON: Yes, sir. Mr. Cutshaw.

24 COMMISSIONER DEASON: Mr. Cutshaw. Mr. Cutshaw,
25 would you raise your hand? Okay. I want to take just a moment

1 to explain the procedure we are going to follow this evening.
2 This is our opportunity to hear from the public. Before we do
3 that, we are going to give Mr. Horton and the company an
4 opportunity to make a brief opening statement. It is not
5 evidence or testimony. It is basically just introductory and
6 it is to provide some background information to the customers
7 that are here this evening. Following that, Mr. Burgess on
8 behalf of the Office of Public Counsel, who is the consumers
9 representative, he will make a brief opening statement, as
10 well.

11 At the conclusion of the opening statements, then we
12 will ask all customers who wish to make a statement to stand
13 and be sworn in. This is just a technicality. Please don't
14 let that deter you from making your statement so your testimony
15 can become part of the official record.

16 Mr. Burgess will be calling witnesses' names that
17 have signed up. When he calls your name, if you will come
18 forward to the podium to my left and begin by giving your name
19 and your address. And if you think it would be helpful to the
20 court reporter, you may wish to spell your name so that it
21 would be recorded correctly in the record. And then you may
22 proceed with your statement. We don't impose any strict time
23 limits, we just ask that you be mindful that there are others
24 waiting. But just take the time that you feel is necessary for
25 us to understand your concerns and your points.

1 At the conclusion of your statement, stay at the
2 podium for a moment. There may be some clarifying questions
3 either from myself, Commissioners, or from Mr. Burgess, or Mr.
4 Horton, or Ms. Brubaker.

5 I want to take just a moment and direct your
6 attention to the special report which was provided to you as
7 you entered the room this evening. It provides some basic
8 information about the case that is pending before the
9 Commission. It gives you some information about how we conduct
10 these proceedings. And the last page is designed to be
11 detached and written upon and sent to the Commission. This is
12 provided for those customers who are in attendance who do not
13 wish to make a formal statement on the record, but still wish
14 to share their thoughts with the Commission. You may use this
15 as a convenient means of doing that.

16 We also would point your attention to the front of
17 the page where there is contact information; 800 number, e-mail
18 addresses, things of that nature. And Commissioner Davidson is
19 joining us just at the right time. We just concluded the
20 preliminary matters and we are going to allow Mr. Horton to
21 engage in his opening statement.

22 MR. HORTON: Commissioner, if I may, before that, I
23 have provided a copy of the proof of publication to the court
24 reporter, the original copy, and copies to everybody else, if I
25 could have that marked as an exhibit.

1 COMMISSIONER DEASON: Yes. That will be identified
2 as Hearing Exhibit Number 3.

3 (Exhibit 3 marked for identification.)

4 MR. HORTON: And with that, I would also like to go
5 ahead and move admission of Exhibits 1, 2, and 3; 1 and 2
6 having been submitted last night in Fernandina.

7 COMMISSIONER DEASON: Very well. Mr. Burgess, is
8 there any objection to these?

9 MR. BURGESS: No objection.

10 COMMISSIONER DEASON: Ms. Brubaker, any objection?

11 MS. BRUBAKER: No.

12 COMMISSIONER DEASON: Show then that Exhibits 1, 2,
13 and 3 are admitted.

14 MR. HORTON: Thank you, sir. And as you indicated
15 earlier, we do have -- if there are specific questions about
16 bills, we do have someone, Mr. Cutshaw would be happy to
17 address that with the individuals. And I would like to ask Mr.
18 Cutshaw to present the opening statement for the company.

19 COMMISSIONER DEASON: Okay. Mr. Cutshaw.

20 MR. CUTSHAW: Good evening and welcome to Marianna.
21 We appreciate you coming and spending your money in our fair
22 city. My name is Mark Cutshaw. I am the Director of the
23 Northwest Florida, Marianna Division. I want to kind of go
24 over a little bit of information on what was filed in our
25 synopsis just to kind of give you and the customers a brief

1 overview of what we are planning on doing.

2 On August 14th, 2003, Florida Public Utilities
3 Company filed a petition with the Florida Public Service
4 Commission seeking approval from the Florida Public Service
5 Commission to increase rates and charges to produce an
6 additional \$4.1 million in revenues. FPU had requested the
7 increase in order to provide reasonable, sufficient, adequate,
8 and efficient service and have an opportunity to earn a fair
9 return on its investment. Without the requested relief, the
10 overall return will not be adequate to provide efficient
11 service and maintain the financial integrity of the company.

12 Over the last few years there are several factors
13 that have contributed to the need for this increase. Since
14 2001, our insurance costs have increased in excess of \$1
15 million. We need additional storm reserves to protect us in
16 case of a severe storm like some areas of the country have
17 experienced.

18 Since 2001, our pensioning expenses have increased
19 over \$1.3 million. We have had adjustments in our depreciation
20 schedules. We are attempting to do additional system
21 reliability and safety measures on our system to improve the
22 overall reliability and provide even better customer service.
23 It has been 1994 since we had an increase in rates. Since that
24 time inflation has taken its toll on our rates.

25 The company has taken several measures to minimize

1 the need for this increase. Included in that are managing our
2 expenditures to stay within our growth, which in Marianna has
3 been difficult at times; improving productivity of our
4 personnel and our equipment. We have expanded the use of
5 technology in order to become more productive. We have
6 monitored our capital needs in order to manage that in a way
7 that we don't exceed, again, our customer growth. Issuing
8 short and long-term debt at favorable rates, changing plans and
9 the programs to hold down medical insurance and outside
10 expenses. And I think all the customers, and I think you
11 realize our rates are very, very competitive within the State
12 of Florida.

13 In this rate increase we are looking at increasing
14 most all of the rates and service charges that we charge our
15 customers. In the residential area, we are looking at
16 approximately an 11 to 12 percent increase on residential
17 customers, dependent upon the usage. On our general service
18 rates, which would be the small businesses with a very, very
19 low demand, those customers will go up approximately 14
20 percent. For a general service demand rate, which would be a
21 customer -- a commercial customer with a demand greater than
22 25, but less than 500, which would be the McDonald's and the
23 mid-sized businesses, their rate increases will be
24 approximately 6 percent. This area encompasses the majority of
25 our commercial customers. So we are looking at 6 percent on

1 the majority of the commercial customers, 14 percent on the
2 very, very small businesses, and approximately 12 percent, 11
3 or 12 percent on our residential customers.

4 Are there any questions?

5 COMMISSIONER DEASON: I don't think there are any
6 questions right now, but there may be once we hear from the
7 customers. We will probably give you an opportunity at the
8 very end of the hearing to address any questions that the
9 customers raise. So I would ask you to kind of keep notes, and
10 we will give you that opportunity at the end.

11 MR. CUTSHAW: Thank you very much.

12 COMMISSIONER DEASON: Mr. Burgess.

13 MR. BURGESS: Commissioners, thank you. I would ask
14 that I just forgo the opportunity that you have given me for an
15 opening statement so that we can hear from the customers.

16 COMMISSIONER DEASON: Very well. At this time I'm
17 going to ask all members of the public who wish to testify to
18 please stand and raise your right hand so I can swear you in so
19 your testimony can become part of the record.

20 (Witnesses sworn collectively.)

21 COMMISSIONER DEASON: Very well. Please be seated.
22 Mr. Burgess, you may call the first witness.

23 MR. BURGESS: Mr. Barker.

24 ROY BARKER

25 was called as a witness on behalf of the Citizens of the State

1 of Florida and, having been duly sworn, testified as follows:

2 DIRECT STATEMENT

3 MR. BARKER: First, let me thank everyone for letting
4 me voice my opinion here. This is a first time first
5 experience for me. But, the letters that I have received
6 through the mail --

7 COMMISSIONER DEASON: Sir, I hate to interrupt. Do
8 you mind giving us your address for the record?

9 MR. BARKER: 2363 Highway 73, Marianna.

10 COMMISSIONER DEASON: Very well.

11 COMMISSIONER BRADLEY: And your first name for the
12 court reporter.

13 MR. BARKER: Ray Barker. First, I would like to talk
14 about the services. I buy thousands of light bulbs because my
15 power goes down, up, down and up. I've bought three
16 refrigerators since I have been over here since '78. Before I
17 was getting 20 years out of a refrigerator with no effects, but
18 it also goes up and down, up and down. Living on Highway 73,
19 which is parallel with Highway 71 -- well, there is a lot of
20 businesses out on 71. Now, during the last storm, and I have a
21 five-band radio, and listen to it because we had no lights.
22 They cut off our lights on 73 to get power over to 71, you
23 know, so they would have power over there first. We went about
24 four days without power.

25 Also, looking at this, what I have received, they are

1 already charging me more than what they claim that my current
2 energy charge is, because I brought a bill with me. Also,
3 according to your letter here that I picked up when I came in,
4 it says conservation fee. On the bill that I receive, in the
5 glossary or explanation terms on the back doesn't list a
6 conservation fee. Nowhere on my bill does it say a
7 conservation fee.

8 Now, what I would like to know is this: It seems
9 like Fernandina Beach, which has according to the Florida
10 transportation map, which they have their population at 10,549,
11 Marianna at 6,230, and this was a map in 1902 (sic), they have
12 4,119 more customers there than we do here, because they have
13 more population than we do here in Marianna. I know that the
14 company has been hit pretty bad because of the fact of Lehigh
15 and Russell leaving, but I cannot understand why someone that
16 is in business like McDonald's should have a better rate than
17 someone like myself as a residential customer. In my book,
18 that is discrimination. Also, it seems like we are being
19 discriminated on because of the pure fact that if they get
20 their increase in pay, we are still going to be paying more
21 than Fernandina Beach will. Now, why is that?

22 Now Mr. Cutshaw here, he seems to make the
23 presentation like the money that has gotten here stays here. I
24 don't even pay my bills here. I have to pay my bills in West
25 Palm Beach. So, you know, what he is saying is what they have

1 suffered here in Marianna, he works for a corporation, all of
2 these corporations, all of this is Fernandina, Marianna, where
3 else are you all going to have these meeting at?

4 COMMISSIONER DEASON: Only in Fernandina and
5 Marianna.

6 MR. BARKER: Okay. That's the only two that is
7 involved?

8 COMMISSIONER DEASON: Yes, sir.

9 MR. BARKER: Okay. Well, then what are the other
10 ones paying, because there is more than just Marianna and
11 Fernandina?

12 COMMISSIONER DEASON: This company has electric
13 operations only in Fernandina and Marianna. They have a home
14 office in Palm Beach County, I believe, but I think they have
15 other utilities operations there, not electric operations.

16 MR. BARKER: Okay. That's another thing now. I had
17 to call them at one time. The meter reader was reading my
18 meter from my neighbor's yard, which is better than 30 feet
19 across, not using anything except his naked eye to do so. I
20 called downtown here, and I talked to some lady, and she said
21 the man has eyes like an eagle. Well, now when I called West
22 Palm Beach, they felt like it was different, and since then my
23 power bill has gone down.

24 COMMISSIONER DEASON: Is your meter being read now?

25 MR. BARKER: Yes, sir. And he comes up to the meter

1 and reads it now, not from my neighbor's yard. Marianna and
2 Fernandina Beach. Okay. So this is the only two places this
3 company has businesses?

4 COMMISSIONER DEASON: Electric operations, yes, sir.

5 MR. BARKER: Okay. So the money in Fernandina stays
6 in Fernandina, it doesn't go to West Palm Beach?

7 COMMISSIONER DEASON: Well, sir, it's all part -- I
8 would assume that the payments in Fernandina are probably
9 funnelled through the Palm Beach office. I think they probably
10 have a central collection for their revenue. But the company
11 certainly operates in the area. It pays salaries in the area,
12 and it buys equipment and supplies. So, you know, I can't tell
13 you how much money stays in the area and how much is
14 transferred to the home office. But to the extent they have
15 operations here, there are expenditures here, so there are
16 contributions to the economy.

17 MR. BARKER: Well, I understand that a public utility
18 usually has a right to do what they want to do, when they want
19 to do it, to whoever they want to do it to. Now, I worked for
20 a corporation that also had rules and regulations. Now, the
21 Justice Department frowned on the fact that we have one price
22 for one customer and one price for another customer. As a
23 matter of fact, we had problems with the Justice Department
24 because of it. Why don't you have that problem here with this?

25 COMMISSIONER DEASON: I will attempt to answer that.

1 Now, you're talking about different rates for different
2 customer classes, or the differences in rates between Marianna
3 and Fernandina?

4 MR. BARKER: Both. Electricity is electricity. Now,
5 unless you can say that you are giving us something in
6 electricity that our electricity will do more than the
7 electricity you are providing in Fernandina, why should we pay
8 more than Fernandina?

9 COMMISSIONER DEASON: You're correct. Electricity is
10 pretty much a commodity, and one electron you can't really tell
11 the difference from another. This company historically has
12 filed its rates based upon the two different divisions being
13 calculated separately based upon the cost of providing the
14 service in those entities. There is an issue, as I understand
15 it, that is going to be before the Commission to consider
16 consolidating the rate structures for Marianna and Fernandina.
17 I can't tell you how that is going to turn out. I don't even
18 know at this point what the specifics of the issue are going to
19 be, but that is something the Commission will consider.

20 As far as the differences in rates between the
21 different rate glasses, those, once again, are determined upon
22 the cost of providing the service to those class of customers.

23 MR. BARKER: Your service charge that you have,
24 electric customer charge, \$8.30 on mine. On Fernandina it is
25 \$7. Does it cost more to send a bill out to Marianna than it

1 does to Fernandina?

2 COMMISSIONER DEASON: That's a very good question,
3 and that's something we are going to explore in the hearing.

4 MR. BARKER: Well, it appears to me, now, if they are
5 short here in Marianna, and I know the money goes all into one
6 pot and the corporation takes and deals it out, why don't they
7 raise Fernandina up the same thing we have been paying for a
8 certain length of time before they raise our price up so they
9 can get equal?

10 COMMISSIONER DEASON: As I indicated, at the hearing
11 we will explore that as far as the cost of providing the
12 service. And I can assure you that the rates, whatever that we
13 approve, are not going to be more than the cost of providing
14 the service. It is a question of whether we're going to
15 continue with separate rates or whether we are going to
16 consolidate.

17 MR. BARKER: Well, I will go back to my original, or
18 close to the original statement, the public utility usually are
19 able to do what they want to do, to whoever they want to do it,
20 anytime they want to do it. I appreciate the opportunity to
21 voice my opinion.

22 COMMISSIONER DEASON: If you don't mind, there may be
23 some questions. Mr. Burgess, any questions? Mr. Horton?

24 MR. HORTON: No, sir.

25 COMMISSIONER DEASON: I have a question for you.

1 When you indicated that you were four days without power, there
2 was a storm event?

3 MR. BARKER: Yes.

4 COMMISSIONER DEASON: What was that and when was
5 that, do you recall?

6 MR. BARKER: It has been some time ago.

7 COMMISSIONER DEASON: Was it a hurricane?

8 MR. BARKER: It was in the '90s. Yes. It was a
9 hurricane, yes.

10 COMMISSIONER DEASON: Now, it was your belief that
11 customers along Highway 71 or 73 --

12 MR. BARKER: 73 is where I live.

13 COMMISSIONER DEASON: You live on 73?

14 MR. BARKER: Yes, and we were off for four days.

15 COMMISSIONER DEASON: And Highway 71 was --

16 MR. BARKER: They weren't off for that long. Now,
17 I'm not saying what I feel, I'm telling you what I heard on the
18 five-band radio I had when I heard the crews talking about the
19 fact that they were going to cut off 73 so they could cut on
20 71.

21 COMMISSIONER DEASON: We'll look into that.

22 COMMISSIONER BRADLEY: I have a question. At the
23 beginning of your presentation you made mention of the fact
24 that you purchased many refrigerator and light bulbs.

25 MR. BARKER: Oh, yes.

1 COMMISSIONER BRADLEY: What was that in reference to?

2 MR. BARKER: It is reference to the power going up
3 and down. It's not good for any appliances. Where you would
4 have -- come in, turn the lights on, you have got good bright
5 lights. And then someday you turn the lights on and you have
6 got to strike a match to see what you're looking at.

7 COMMISSIONER BRADLEY: So it's power surges.

8 MR. BARKER: Well, it's surges or stays that way,
9 whatever. It's just weak power. Now, they came out and put a
10 transformer, because other people other than myself complained.
11 You know, they put it in the corner out from my yard, and it
12 got a little better. We still have the same problem, though.
13 You know, it goes up and down, up and down. I credit it to the
14 fact, you know, the refrigerators going because of the fact
15 that our power is up and down. It's not good for a motor to
16 run without full power to it. The same thing about light
17 bulbs.

18 COMMISSIONER BRADLEY: Thank you.

19 MR. BARKER: Yes.

20 COMMISSIONER DEASON: Mr. Burgess, you may call your
21 next witness.

22 HARRY ROGERS

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

25 DIRECT STATEMENT

1 MR. BURGESS: Mr. Rogers. This is Mr. Harry Rogers.

2 MR. ROGERS: My name is Harry Rogers. That's
3 R-O-G-E-R-S. My address is Post Office Box 189, Blountstown,
4 Florida 32424. I'm the president of Big River Cypress and
5 Hardwood. It's a lumber operation in Blountstown, Florida. I
6 want to express the opportunity to come here, I greatly
7 appreciate it. I want to thank our electric company. They do
8 us a fantastic job and have for several years. We are not a
9 real large customer, but we have four services with them, two
10 in the general service category, two in a general service
11 demand category. And the thing that worries me, I'm not an
12 expert at figuring out electric bills, and I have asked some
13 other people to look at it, but we run about 71 to 75 -- to
14 75,000 kWh per month on these two general service demand
15 accounts.

16 When you look at the rate increase, there is a
17 five-fold increase in the general service demand from the
18 Blountstown -- from the Marianna current to the proposed energy
19 charge, and we're having a little bit of a problem figuring out
20 exactly what that would do to our bills, but we suspect it will
21 surpass the average by a great number. The problem we would
22 like to have addressed is exactly what it would do to us in our
23 case, whether it is an 11 percent increase, or a 15, or a 7.
24 But on average it is okay, but we need to know what it is going
25 to do to us. But that seems like an awful high percentage

1 increase for the general service demand category kWh.

2 COMMISSIONER DEASON: Are you referring to the
3 customer notice letter that was sent out?

4 MR. ROGERS: Correct.

5 COMMISSIONER DEASON: Okay. And if I'm reading this
6 correctly, it shows for Marianna the general service demand
7 energy charge, which is the kilowatt hour charge, will be
8 increasing from .0076 to .00368.

9 MR. ROGERS: Correct.

10 COMMISSIONER DEASON: And that does appear to be a
11 very substantial increase. And that is your concern?

12 MR. ROGERS: That is my concern.

13 COMMISSIONER DEASON: The only thing I can tell you,
14 we can -- first of all, as you know these are the proposed
15 rates. We don't know what the final rates are going to be.
16 They are going to be contingent upon a number of things, one of
17 which, of course, is the amount of revenues which we think are
18 going to be sufficient for this company. And then once we
19 determine that, there is also a question of how you divide that
20 up between the customer classes, and then within customer
21 classes for general service how you divide it between demand
22 charges and kilowatt hour charges.

23 I can assure you -- I don't know what the rates will
24 be -- I can assure you that one of the things we look at is the
25 amount of increase within any one given period of time so that

1 there is not -- there is not an inordinate amount of an
2 increase, to use a phrase, sticker stock type syndrome. That
3 is part of one of the costing methodologies we use. We try to
4 base rates upon cost, but at the same time we try to take into
5 consideration impacts on the customers. So, that is the only
6 assurance I can give you at this point. We are going to take a
7 good hard look at it. But I appreciate it. I mean, I can
8 understand your concern.

9 MR. ROGERS: Thank you.

10 COMMISSIONER DEASON: Mr. Burgess.

11 MR. BURGESS: Mr. Sid Riley.

12 SID RILEY

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

15 DIRECT STATEMENT

16 MR. RILEY: Hello. My name is Sid Riley, R-I-L-E-Y.
17 P.O. Box 399, Marianna, 32447. I'm a small business owner here
18 in Marianna. We have a bed and breakfast. I have, at one
19 time, been a major employer here in town operating two
20 factories and employing around 300 people, and consumed quite a
21 bit of electricity during that period. And I have worked some
22 20 years as a business consultant, internationally and
23 domestically, working with companies in cost reduction and
24 productivity enhancement programs. So I am sensitive to cost
25 increases and things that affect the community.

1 I want to welcome the Commissioners to Marianna, one
2 of the finest areas in the world to live, and we want to keep
3 it that way. Florida Public Utilities, I think, has done a
4 good job of servicing the community in terms of their basic
5 mission of providing the power that is needed. I have traveled
6 the world and have seen what type of problems poor delivery of
7 electricity can create for industry and communities, and we
8 certainly don't have anything approaching that here. I think
9 in times of when storms and things like that have impacted the
10 community, they have been responsive. They are good members of
11 the community and I have many friends that work as part of
12 their organization, and have no problem with that aspect of
13 their presence. They are good people.

14 I do have a problem, though, with rate increases. A
15 utility is a unique element of the industrial sector. It is
16 half free to operate as a corporation and half closely
17 regulated and monitored by commissions such as yourself. In
18 industry, business cycles come and go; and when downturns occur
19 it in actuality has a healthy impact on industry. The weak
20 companies fail and fall aside and go into bankruptcy. The
21 strong ones use these downturns as times to look inside
22 themselves and become more productive, more cost conscious,
23 more trim, and ready to fight the battles when the recessions
24 are over. These economic factors do not impact, sadly,
25 governments nor utilities. And they are able to continue

1 business as normal through these downturns, and continue to
2 operate without the cleansing that industry goes through.

3 As a result, I think waste accumulates, practices and
4 policies continue that should not continue. And this, I think,
5 is true across the board of almost all the utilities and
6 governments. A monopoly tends to work in reverse of a normal
7 corporation. Normally, if you want to increase your profits,
8 you reduce your costs in industry. But in a monopoly, as a
9 utility, you are guaranteed a reasonable rate of return on your
10 cost, and so there is a tendency because of this for the
11 motivation to be to increase your costs rather than decrease
12 your costs. By increasing your costs -- for instance, I would
13 rather make a 4 percent return on a cost of \$200 million than
14 on a cost of \$100 million. So, this creates a negative
15 philosophy of management. And I think utilities, in general,
16 are guilty of this.

17 It is the task of the Florida Utilities Commission to
18 regulate the activities of the Florida utilities as a protector
19 of the public from monopolistic abuses. However, often these
20 hearings are held only because it is a legal requirement. And
21 the pleas and words of the public have little to do with the
22 ultimate outcome of decision-making. I hope that is not the
23 case here tonight.

24 From the company's presentation and from analysis
25 that I have made of their financial statements, it appears to

1 me that the primary basis for their rate increase is to recover
2 what appear to be one-time losses due to the closing of their
3 water division, which was a failed attempt to enter that
4 market, and that most of the writeoff has occurred in the last
5 two quarters, and to recoup losses that their pension plans
6 have encountered as a result of the downturn of the stock
7 market.

8 I don't feel it is appropriate to ask the struggling
9 taxpayer and citizens to pay for those problems. They still
10 have a viable profitable business that has a strong history of
11 profits, dividends, and continued growth. Even in the second
12 quarter of 2003 their growth was over \$3 million. And I
13 suggest that the Commission wait another year before making
14 this decision. Waiting for these errors and things to be
15 washed away that are in the accounting picture this year, and
16 waiting to see if we do have an economic upturn in the country.
17 The stock market is recovering and things are beginning to look
18 up, and I don't think it is appropriate to react in rate
19 increases until we can see what is happening to Florida Public
20 Utilities in the coming months. If we look at the existing
21 situation, I think we have a distorted picture.

22 This requested increase will be almost totally borne
23 by the citizens of Jackson County, even though they have given
24 a schedule of increases for various types of consumers.
25 Ultimately, most of the costs are passed on through price

1 increases and passed down. Eventually it is the consumer that
2 pays all of the additional millions of dollars that are
3 requested, not the commercial users. The City of Marianna has
4 calculated that their electric bill is going to go up \$50,000 a
5 year as a result of the increase they will get on the schedule.
6 Do you think the City of Marianna is going to pay that \$50,000
7 by reducing the cost of their activities, or do you think they
8 will raise that \$50,000 by getting more millage next year from
9 the citizens of the town?

10 It is the citizens that ultimately pay for it. It is
11 the retirees, the widows, and the struggling workers here in
12 the county that end up paying. And that is the reason that I
13 am here as an advocate on their behalf, and my own behalf as a
14 part of it.

15 I encourage you to research the salaries of the board
16 members of FPU and its chief executives, their retirement
17 packages, their stock deals, and other percs. Remember, Enron
18 was a utility, and that somewhere there were commissions
19 regulating their activities that didn't do their job. And
20 please do not allow your Commission to be rushed into decisions
21 this year that will hurt the struggling low income households
22 of Jackson County. Don't follow the business-as-usual approach
23 and award the increase now. Thank you.

24 COMMISSIONER DEASON: Any questions? No. Thank you,
25 sir.

1 MR. BURGESS: That's all I have.

2 COMMISSIONER DEASON: Mr. Burgess indicated that that
3 is all the individuals that have signed up to speak. Let me
4 ask, are there any other members of the public who did not sign
5 up, but who wish to make a statement at this time? If you will
6 just please raise your hand. Let the record reflect there are
7 no other customers that wish to testify at this time.

8 Mr. Horton, is there anything that Mr. Cutshaw wishes
9 to address at this time?

10 MR. HORTON: No, sir.

11 COMMISSIONER DEASON: Mr. Horton, if you don't mind,
12 come to the microphone for just a moment. Mr. Barker in his
13 presentation, he expressed concerns about what I would take to
14 be that he believes are voltage fluctuations or undervoltage
15 situations for his particular residence and maybe even in that
16 particular area. I think it would be beneficial if Mr. Cutshaw
17 or one of his employees could put together a report for the
18 Commission to indicate if there has been a problem
19 historically, if there has been a problem what has been done to
20 correct it, so that we can make an assessment of that
21 situation.

22 MR. HORTON: Certainly, sir.

23 COMMISSIONER DEASON: Is that something that you can
24 provide?

25 MR. HORTON: Yes, sir. Absolutely.

1 COMMISSIONER DEASON: And obviously you need to
2 provide that to all the parties, including Mr. Burgess.

3 MR. HORTON: We will, sir.

4 COMMISSIONER DEASON: Okay. Anything else? Let me
5 take this opportunity to thank everyone for coming out this
6 evening. This is the second of two hearings to take customer
7 testimony. The Commission will be taking expert testimony,
8 what we refer to as the technical phase of the hearing in
9 February in Tallahassee. If you wish you are certainly invited
10 to come over. We will be hearing expert witnesses in the field
11 of accounting, and economics, and engineering, and those type
12 endeavors. Those witnesses will be sponsored by the company.
13 Mr. Burgess will be sponsoring witnesses on behalf of the
14 customer side of the issues, he will be sponsoring expert
15 witnesses, as well. The Commission staff, I know, is engaging
16 in an audit of this company's books and records. That
17 information will be available to the Commission, as well.
18 After the technical hearing in February, the parties will have
19 the opportunity to file briefs, and then our staff will take
20 all of that information and compile a recommendation. If you
21 wish, you certainly are welcome to obtain a copy of that
22 recommendation, and then at sometime subsequent to that it will
23 all come before the Commission for a vote. I'm not exactly
24 sure when that is. Ms. Brubaker, do you know when that is
25 anticipated?

1 MS. BRUBAKER: The general revenue requirements is
2 March 30, and there is also an agenda on the rates scheduled
3 for April 5th, 2004.

4 COMMISSIONER DEASON: The March 30th agenda, that
5 will determine the amount, the total amount of revenue that we
6 believe, based upon all the evidence, and the issues, and the
7 testimony that we believe this company is entitled to, and then
8 the subsequent agenda will be then -- we will then try to -- we
9 will determine the actual rate structure that will be charged
10 to customers. The rate that you will see on your bill. And
11 that is the schedule that we anticipate. Is there anything
12 else to come before the Commission?

13 MR. BURGESS: I have nothing.

14 COMMISSIONER DEASON: Hearing nothing, thank you all
15 again. This hearing is adjourned.

16 (The service hearing concluded at 6:45 p.m. CT.)
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STATE OF FLORIDA)

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CERTIFICATE OF REPORTER

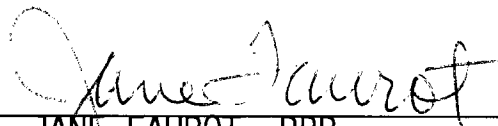
COUNTY OF LEON)

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

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

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

DATED THIS 9th day of December, 2003.



JANE FAUROT, RPR
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FPSC Division of Commission Clerk and
Administrative Services
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