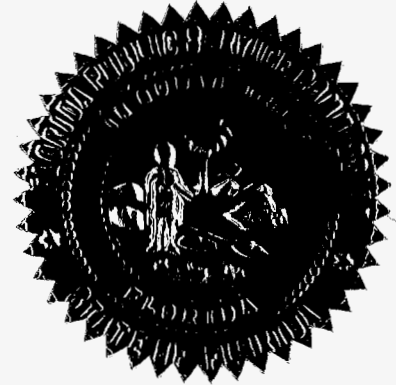


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 041272-EI

In The Matter of:

PETITION FOR APPROVAL OF STORM
COST RECOVERY CLAUSE FOR RECOVERY
OF EXTRAORDINARY EXPENDITURES
RELATED TO HURRICANES CHARLEY,
FRANCES, JEANNE, AND IVAN, BY
PROGRESS ENERGY FLORIDA, INC.



PROCEEDINGS: CLEARWATER SERVICE HEARING

BEFORE: CHAIRMAN BRAULIO L. BAEZ
COMMISSIONER J. TERRY DEASON
COMMISSIONER RUDOLPH "RUDY" BRADLEY
COMMISSIONER CHARLES M. DAVIDSON
COMMISSIONER LISA POLAK EDGAR

DATE: Thursday, March 17, 2005

TIME: Commenced at 10:00 a.m.
Concluded at 11:30 a.m.

PLACE: City Council Chambers
City Hall, 3rd Floor
112 S. Osceola Avenue
Clearwater, Florida

REPORTED BY: DONNA W. EVERHART, RMR

ORIGINAL

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6 LLC.

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9 Tallahassee, Florida 32399, appearing on behalf of the
10 Florida Public Service Commission Staff.

11 PATRICIA A. CHRISTENSEN, ESQUIRE, Office of
12 Public Counsel, c/o The Florida Legislature, 111 West
13 Madison Street, Room 812, Tallahassee, Florida 32399,
14 appearing on behalf of the Office of Public Counsel.

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P R O C E E D I N G S

(Hearing commenced at 10:00 a.m.)

CHAIRMAN BAEZ: Before I call the service hearing officially to order, we have a message from Mayor Hibbard.

MAYOR HIBBARD: Chairman, Commissioners, the public, just want to welcome you here today. We are very happy that you're utilizing our facility.

I want to thank Progress Energy for the relationship we've had over the years. **It's been very** positive in the way that we've dealt with especially the crisis that we had this past year. And we just want to lend our support to you. At the same time it's extremely important that we have these public forums in which people understand what is going on. **We support** that fully and, again, welcome you to the City of Clearwater and hope that there is a very healthy dialogue today.

CHAIRMAN BAEZ: Thank you, Mr. Mayor. And we really do appreciate you putting us up for the morning. The hospitality has been great, and we thank you again.

MAYOR HIBBARD: And if you have problems with the weather, Beth Coleman from our Chamber is here, and it's always the Chamber's issue with weather. So thank you again.

1 CHAIRMAN BAEZ: That's one of the things I've
2 got on my list of things to discuss.

3 COMMISSIONER BRADLEY: Mr. Chairman, you know,
4 I see Commissioner Calvin Harris here and I see
5 Commissioner Welch. I was just wondering who would
6 take responsibility for Pinellas County not having a
7 sunny day on a day when we are visiting from
8 Tallahassee.

9 CHAIRMAN BAEZ: We're going to get the
10 Commissioners up here in due course.

11 MAYOR HIBBARD: It's certainly a countywide
12 issue. Thank you.

13 CHAIRMAN BAEZ: Thank you, Mr. Mayor.
14 Commissioners, I'll call the hearing to order at this
15 moment. Counsel, will you read the notice.

16 MS. BRUBAKER: Certainly. Pursuant to notice
17 this time and place has been scheduled for conducting a
18 service hearing in Docket 041272-EI for the purpose of
19 taking customer testimony. The purpose of the hearing
20 is set forth more fully in the notice.

21 CHAIRMAN BAEZ: Thank you, Ms. Brubaker.
22 Welcome. I want to take this initial opportunity to
23 thank you all for coming out. Those customers that are
24 going to come before us today, my name is Braulio Baez.
25 I'm Chairman of the Public Service Commission. My

1 colleagues, we are in full force today, and no thanks
2 to the weather at this point, but to my extreme left,
3 Commissioner Lisa Edgar, Commissioner Rudy Bradley. To
4 my right, Commissioner Terry Deason, Commissioner
5 Charles Davidson.

6 I think I can speak for all of them by
7 thanking you once again for coming out. This is a very
8 important part of our process. It is one of those
9 unfortunately limited opportunities that we get to come
10 out and take public input from the customers directly.
11 That is the purpose of our gathering here today.

12 As you know, we are considering a petition by
13 Progress Energy Florida for recovery of some storm
14 related expenses related to the 2004 hurricane season.
15 It is an important part of our process. The testimony
16 that the customers that are here today are going to
17 give before the Commission is going to be entered into
18 the record. It is as nearly -- it is part of an
19 official hearing process. You'll be sworn in as
20 witnesses. We'll get to that a little later.

21 Some of the things brief housekeeping, if you
22 came in and signed -- if you haven't signed up to speak
23 and wish to do so, there's a table set up outside.
24 Some of our staff members of the PSC are outside, can
25 give you information or direction. You can ask them

1 questions, and they'll have some answers for you
2 whatever it is that you need.

3 Also, as has been the practice throughout --
4 this is the fifth of five service hearings in the area
5 for Progress Energy. And as has been the company's
6 practice in all of the service hearings, my
7 understanding is that there are company representatives
8 either outside or in a separate room that are set up
9 on-line and realtime to handle any billing issues or
10 any service issues that you-all might have.

11 So if you did bring an issue with you today
12 that might be able to be resolved, please just grab one
13 of the company representatives, and I'm sure that they
14 will be very willing to help.

15 As another matter, if you do not wish to give
16 testimony today, you do still have an opportunity to
17 have your comments and views heard or at least received
18 by the Commission. At the table that I mentioned
19 before as you were walking in, you may have already
20 received or seen these blue Special Reports. **They**
21 summarize the petition that's before the Commission.

22 And more importantly, as I was mentioning, it
23 does offer you an opportunity if you turn to the back
24 of the Special Report, you're going to see a form where
25 you can provide written comments. Write them up, you

1 can leave them with some of the PSC staffers. You can
2 mail them to the Public Service Commission.

3 And as an added alternative, the Public
4 Service Commission also has a Web site that you can go
5 on-line and leave your written comments that way. You
6 can also do it by fax. So we're trying to be as
7 receptive and as flexible as possible with how we take
8 public input just as a sign of how important it is to
9 us as part of our deliberations.

10 At this point let me lay out a little bit
11 about what we're -- how this is going to work. We're
12 going to take appearances from the parties first
13 things, and then we're going to have at this point some
14 opening remarks by the parties. It's going to be
15 preceded, I believe, by a brief presentation from staff
16 that will further explain how the docket process and
17 what kind of considerations we're going to take up as
18 part of the case.

19 I know that the company has a brief
20 presentation and Public Counsel will also have some
21 brief opening remarks. And hopefully they will be
22 helpful to you to try and focus your comments to help
23 us really get down to the matters that we're going to
24 consider.

25 And with that, we'll take appearances quickly.

1 Mr. Glenn.

2 MR. GLENN: Alex Glenn on behalf of Progress
3 Energy Florida.

4 MS. CHRISTENSEN: Patty Christensen on behalf
5 of the Office of Public Counsel.

6 MS. BRUBAKER: And Jennifer Brubaker on behalf
7 of Florida Public Service Commission.

8 CHAIRMAN BAEZ: Thank you all. At this point
9 we can move on to the presentations. Ms. Brubaker.

10 MS. BRUBAKER: I'd just like to speak briefly,
11 talk a little bit about the petition that we're here to
12 entertain, the Progress Energy petition, talk a little
13 bit about the hearing process at the Commission, and
14 also to talk a little bit about some ongoing
15 hurricane-related activities at the Commission.

16 As I read from the notice earlier today, we
17 are here to take customer testimony for Docket 041272,
18 which is the petition filed by Progress Energy Florida
19 for the approval of a storm cost recovery clause. The
20 clause is being requested to recover expenditures
21 incurred for Hurricanes Charley, Frances, Jeanne and
22 Ivan.

23 Progress has requested to recover the excess
24 storm damage cost over a two-year period. The clause
25 is also designed to recover the storm damage costs that

1 are in excess of the amount that is contained in the
2 utility's storm reserve.

3 All the large investor-owned electric
4 utilities or IOUs have been accruing an annual amount
5 each year through the base rates which goes into the
6 company's storm reserve. After the damage caused by
7 Hurricane Andrew, the Commission allowed the electric
8 companies like Progress to establish these storm
9 reserves because insurance for transmission and
10 distribution systems became unaffordable. Progress has
11 been accruing \$6 million per year into its storm
12 reserve.

13 Progress is requesting recovery of
14 approximately \$251.9 million. And in this slide you
15 can see how the company arrived at this amount. The
16 total damage amounted to 366.3 million, from which the
17 company has removed 54.9 million which it capitalized.
18 The company is not requesting recovery through this
19 petition for that capitalized portion.

20 The company also removed the nonretail portion
21 of 12.6 million and then it subtracted the amount that
22 it has accrued in the storm reserve over time of \$46.9
23 million. The final amount is the amount in excess of
24 the storm reserve which is at issue in this
25 proceeding.

1 Progress has included what they believe to be
2 the expected impact on the average residential
3 customer's bill based on usage of 1,000 kilowatt hours
4 per month. The first 12 months is expected to be
5 approximately \$3.81 per month. The second year will be
6 slightly less at \$3.59 per month.

7 I'd also like to talk a little bit about the
8 Commission hearing process. And this is how the
9 Commission will process the company's petition to
10 arrive at its final decision. The process starts by
11 the company filing its petition. And after the
12 petition is filed, the Commission staff begins its
13 discovery process.

14 There have been a number of intervenors in
15 this docket including the Office of Public Counsel,
16 Florida Industrial Power Users Group, and the Sugarmill
17 Woods Civic Association. They have also been involved
18 in and conducted their own discovery.

19 Service hearings have been scheduled and are
20 being held to hear from the customers. Also a
21 technical hearing is held, and that's scheduled March
22 30, 31, and April 1 to be held in Tallahassee. During
23 the technical hearing, the company and the opposing
24 parties will present evidence through witnesses as to
25 how they think the issue should be decided in the case.

1 The purpose of the service hearing today is to
2 hear from the customers of Progress Energy. The
3 Commission is very interested in their testimony
4 concerning the company's request and is also interested
5 in customers' opinion as to how the company's efforts
6 to recover from each hurricane and restore the electric
7 service.

8 The company and intervenors have their
9 opportunity to present the case as they see it through
10 sworn testimony and evidence at the technical hearing
11 in Tallahassee. And as the Chairman mentioned earlier,
12 because this is a hearing much like a court proceeding,
13 the customers will be asked to be sworn in as witnesses
14 so that their comments or testimony can be used in the
15 proceeding and any subsequent legal proceedings at
16 court that might occur.

17 Talk a little bit more about the technical
18 hearing which takes place in Tallahassee. Before the
19 hearing each party is responsible for pre-filing
20 testimony for any witnesses they intend to present at
21 the technical hearing. As I mentioned previously, they
22 will be responsible for conducting their own discovery
23 such as deposition of those witnesses. They must also
24 attend the technical hearing and present their
25 witnesses who will be subject to cross-examination at

1 that time.

2 Once the hearing is completed, the parties
3 will be responsible for filing legal briefs, which is a
4 summary of the evidence as they see it and how they
5 believe the Commission should make its decision based
6 on that evidence.

7 When the hearing is concluded, Commission
8 staff puts together a recommendation which is presented
9 to the Commissioners at an agenda conference. There is
10 no participation allowed by the parties at the final
11 agenda. The participation is by staff only. The final
12 agenda in this case is currently scheduled for June 14,
13 2005.

14 Once the Commission has made its decision, its
15 decision is set out in an order, and at that point any
16 party seeking review of the order would have that
17 review before the Florida Supreme Court if they believe
18 that action is warranted.

19 I'd also like to speak briefly about some
20 ongoing hurricane-related activities that are taking
21 place at the Commission. And the first deals with
22 underground power lines. Currently customers' existing
23 rates are based on the cost of overhead facilities.
24 The cost to convert to underground has always been
25 borne by the requesting customers to avoid

1 subsidization.

2 Currently the Commission is conducting a study
3 of the cost of IOUs converting to underground. The
4 results of that study has been provided to the
5 legislature at the beginning of this year's session.

6 The second area has to do with tree trimming.
7 Each IOU is required to file an annual distribution
8 reliability report which discusses areas such as
9 vegetation management, compliance with voltage
10 standards, electric outage causation, and customer
11 complaints.

12 In addition to the annual reliability review,
13 the Commission initiated a quality of service audit of
14 all IOUs in September of 2004. **The management audit**
15 **for Progress Energy is targeted for completion in**
16 **October of 2005.**

17 Last I'd also like to mention that Progress
18 notified the Commission in January of this year that it
19 will be filing an application for a general rate
20 increase to its base rates. **They intend to file this**
21 **application by May 1, 2005.** The service hearing today
22 has nothing to do with that request. **When that**
23 **petition is filed, it will be handled by a separate**
24 **docket, and separate service hearings will be held for**
25 **that docket. And that concludes my presentation.**

1 CHAIRMAN BAEZ: Thank you, Ms. Brubaker.
2 Mr. Glenn.

3 MR. GLENN: The company knows better than to
4 allow me to do anything with the computer. Before we
5 get started, I just wanted to amplify one of the things
6 that the Chairman indicated to customers in the
7 audience. We have seven customer service
8 representatives here. Take a left out of the committee
9 chambers and go to your left. They have computer
10 systems that are hooked up and can get into your
11 accounts. If you have any customer account specific
12 problems, we have people here to address those.

13 In addition to that, if we can't address those
14 now, we will do so promptly and we'll file our
15 responses with the Commission.

16 With that, I'd like to introduce our president
17 and chief executive officer, Mr. Bill Habermeyer, who
18 will give a brief opening remark.

19 MR. HABERMEYER: Good morning, Mr. Chairman,
20 Commissioners. I am Bill Habermeyer. And you have
21 heard my statement, so I intend, out of respect for the
22 Commission's time and also our customers' time, to
23 abbreviate my remarks somewhat this morning.

24 I would like to address first of all, the
25 state of the company prior to the 2004 hurricanes.

1 Secondly, to discuss very briefly our response to those
2 hurricanes. And then finally, to make some comments on
3 our filing for storm cost recovery.

4 Prior to the merger with Florida Progress, we
5 were evaluating the circumstances and conditions of our
6 system. And upon that merger which occurred in
7 November of 2000, we committed to improve our system,
8 to improve customer satisfaction, to improve
9 reliability, and to improve those things which our
10 customers had indicated that they felt we needed to
11 enhance within our own system.

12 We set about in a three-year program that we
13 termed our Commitment to Excellence to do just that.
14 As I mentioned last night, the results have shown the
15 benefits of that effort in that customer satisfaction
16 is up, reliability is up, has improved over 20 percent
17 over the last three years. And I certainly credit our
18 employees for that great effort in bringing the
19 Commitment to Excellence to a conclusion.

20 That's not where we intend to stop, however.
21 Clearly we intend to continue to improve our system,
22 continue to work to a higher degree of customer
23 satisfaction. And that certainly will be our objective
24 going forward.

25 The period of 2004 represented a very unique

1 period in history for this state. And certainly anyone
2 who does business in Florida recognizes that we live in
3 a state that is potential for extraordinary
4 circumstances. Last year certainly was that multiplied
5 in that with four hurricanes, we had a circumstance
6 that no other state since 1886 has ever seen, and that
7 state was hardly considered populated in that
8 particular year.

9 Florida, by contrast, with 17 million people
10 in our population, is a huge engine of economic
11 development. It is certainly a state in which we
12 recognize the potential for loss of business if it's
13 interrupted for any length of time. Our efforts
14 certainly at that point were to restore.

15 We're very proud of the fact that we have won
16 the Edison Electric Award for storm restoration five
17 times out of the last eight years. And we're the only
18 utility that can claim that.

19 Our storm preparation is comprehensive. It
20 starts, in fact, when an employee first joins our
21 company in that they have a second job. Their first
22 job is obviously the job which is most traditional to
23 utilities. The second job is storm restoration. It's
24 a job that on occasion uses the same skill sets that
25 they bring to the company but most often requires

1 additional training and additional skill sets in order
2 to respond adequately to storm conditions. We train
3 our people to do this.

4 This is something that is very imbedded in our
5 culture. It is something that's important to us
6 because it's something our customers expect. They
7 expect us to respond when storm conditions exist. So
8 that second job of storm readiness is one that we take
9 very seriously.

10 Typically when we see a storm in advance 72
11 hours we begin our planning. We coordinate with other
12 utilities throughout the country. We begin to identify
13 resources whether those be line resources, tree
14 resources, food, hotels, other billeting areas,
15 availability of gasoline, such things in order to move
16 a veritable army of people into the state in order to
17 address the upcoming hurricane conditions.

18 48 hours before the event, we begin to move
19 those people. And by 24 hours we have fine-tuned our
20 mobilization effort to get people into position to be
21 able to respond as soon as the storm passes. Clearly
22 the key to this is commitment and mobilization. And
23 these are things that we do without hesitation because
24 we know our customers expect that.

25 The three phases of restoration include a

1 damage assessment We think it's important first of
2 all to understand the nature of damage, how that damage
3 has occurred, and be able to best direct our resources
4 to conduct effective and efficient repairs

5 Secondly, obviously to work the jobs in
6 priority or those things which are important The
7 public health and safety and the critical
8 infrastructure which supports the day-to-day operation
9 of our co nities are those areas that we address
10 first

11 We work very closely with the Emergency
12 Operating Centers both at the state level and in each
13 county in which we serve We serve 35 counties in the
14 state of Florida In order to make sure that we are in
15 lockstep with the Emergency Operating Centers in terms
16 of restoration priorities

17 And finally, we communicate. We find that
18 what our customers want st is to know when power will
19 be restored. Obviously they all nt power restored,
20 but it's critical from their standpoint to know when
21 does life return to normal So our communication is
22 directly to give them that assurance that we are
23 working, that we have esti ted times of restoration,
24 and that we work to those

25 During this last set of storms, we met 99 5

1 percent of our estimated times of restoration or
2 exceeded them; that is, restored power before we
3 indicated that it would be restored. So communication
4 is a key part of our efforts.

5 As I mentioned, 2004 was an extraordinary
6 year. It certainly was not business as usual. It was
7 business clearly unusual in that with four hurricanes
8 hitting our state, it substantially impacted not just
9 our customers but impacted the very economic engine
10 that drives this state on a daily basis.

11 While Charley and Ivan did not hit this area,
12 they were both projected to hit the Clearwater area
13 early on. So it was necessary that we prepare in this
14 area as well as the rest of our service area for the
15 potential of those two storms as well.

16 Clearly, Charley was a very devastating storm
17 to the central part of our state and devastated the
18 central part of our service area. Jeanne and Frances
19 both were heavily impacted in this area. And in
20 particular Jeanne.

21 And I stop on Jeanne for Clearwater because
22 Jeanne was a particularly devastating storm. It came
23 across the state, hovered here in this area for an
24 extended period of time, and if you recall Ivan had hit
25 just days earlier up in the Panhandle. So much of the

1 resource that we had depended on to bring to this area
2 had been drawn up into the Southeast United States.
3 And we couldn't get crews from the traditional areas.

4 So we brought crews in from California,
5 Montana, Arizona, in order to serve this area. And I
6 was here in Clearwater and met those crews from San
7 Diego and the crews from Butte, Montana, as they came
8 into this area, not very familiar with Florida weather.
9 Certainly we had to tell them how to hydrate. But they
10 did work and they worked very, very well.

11 We collapsed most of our efforts into
12 Clearwater as the storm damage was manifest. We had
13 about 1,000 of our line crews here and about 400 of our
14 tree crews. So this was an extremely unusual year, and
15 particularly hard hit was this area. I will say that
16 south coastal, which is primarily comprised of Pinellas
17 and Pasco County, did take a lot of damage this year.

18 I would be remiss in not thanking Mayor Frank
19 Hibbard and the City Council here in Clearwater for all
20 the assistance that they rendered and also for
21 Commissioners Calvin Harris, Ken Welch, and the
22 Pinellas County Commission for all the efforts that
23 they expended with us in the restoration effort. It
24 was truly a team effort here in Pinellas County.

25 We found that Pinellas worked very closely

1 together. We did restore quickly in this area, but
2 nonetheless we recognize that we learn from every
3 storm. We would like to have had more time to
4 assimilate those lessons learned, but as you can well
5 imagine with the frequency of storms coming one on
6 another's heels, it was very important that we
7 assimilate less and learn to apply them and continue to
8 improve.

9 I would like to say that four storms in six
10 weeks did represent a monumental effort. And I'm very
11 proud of all of our employees for the effort they
12 expended on behalf of our customers. Today you'll hear
13 that some would say our company should absorb all or
14 parts of the costs of the storm.

15 We prepared for this storm as we prepare for
16 all storms. In many cases for unnamed storms we
17 prepare without cost to our customers. It's part of
18 our job to get ready. It's part of our job to train
19 our people. It is certainly part of our job to ensure
20 that we restore as quickly as possible.

21 I heard the governor say directly to me, Let's
22 get Florida back to business. Just as customers said
23 directly to me, I'd like to get my lights on as soon as
24 possible. That's our job.

25 I'd like to make a couple of points clear

1 about our position. The dollars that we are seeking
2 are those dollars directly related to the storm costs.
3 There are obviously indirect costs. There is lost
4 revenue that we will never see. There are the indirect
5 costs of the work that had to be deferred. That work
6 stays. It doesn't go away. Our customers still want
7 new service extended. They still want issues
8 addressed. That work remains.

9 And literally hundreds of thousands of
10 man-hours just here in Pinellas County have been
11 accomplished by the company not at the customers'
12 expense but at the company's expense. These are
13 indirect charges. These charges do not go to the
14 customer but are certainly the outfall of the tragedy
15 of four hurricanes in 2004.

16 We have a system. It was put in place after
17 Hurricane Andrew. That system said that there would be
18 a reserve established. And that if we exceeded that
19 reserve, we would come to the Public Service Commission
20 for restitution of those dollars that we expended on
21 behalf of customers for restoration.

22 That system has worked in Hurricanes Andrew --
23 I'm sorry, Hurricane Erin, Hurricane Floyd, and
24 Tropical Storm Gabrielle. It has worked, and we simply
25 ask that the same system and same process be recognized

1 today. If we do want to change the system, we're
2 certainly willing to talk about that, but we would
3 suggest that that change be discussed as a separate
4 issue and discussed with all parties.

5 I just call to your attention with this
6 calendar the period of time in which Florida suffered.
7 Six weeks, four hurricanes, literally one on top of
8 another. Our system was ready. The Commitment to
9 Excellence prepared our system. Our people responded.
10 They responded very well. And I'm very proud of them.

11 And we are here today obviously to seek your
12 input and to seek our customers' input on the issue
13 which we have before you today. We are willing to
14 learn. We certainly listen to all of our customers.
15 And where there is constructive criticism, we want to
16 take that to heart and continue to improve because
17 certainly that's our objective.

18 And regardless of your decision, should there
19 be one or two or three or, heaven forbid, four
20 hurricanes this year, we'll be ready. Thank you,
21 Mr. Chairman. That concludes my statement.

22 CHAIRMAN BAEZ: Thank you, Mr. Habermeyer.
23 Ms. Christensen.

24 MS. CHRISTENSEN: Good morning. My name is
25 Patty Christensen. I'm with the Office of Public

1 Counsel. The Office of Public Counsel has been created
2 by the Florida Legislature to argue before the Public
3 Service Commission against rate increases. We
4 represent the citizens of the state of Florida in this
5 matter.

6 As you have heard, Progress is asking the
7 Commission to allow it to collect \$252 million from
8 customers for the costs Progress says are associated
9 with the hurricanes. As citizens representatives, we
10 are actively looking at Progress' costs and we are
11 looking at those costs they are asking to collect.

12 We do not believe that all of the costs
13 Progress wants to collect for an additional charge on
14 customers' bills should be allowed. We have two major
15 issues with these costs. First, it is our position
16 that the customer should only have to pay once for a
17 service or activity that Progress performs.

18 We believe that the evidence will show that
19 some of the costs Progress asks to collect through an
20 additional storm charge have already been paid for by
21 customers through base rates. An example of this is
22 Progress employees regular salaries. This is an
23 example of double dipping because Progress employees
24 who have worked on storm related repairs would have
25 been on the job for a portion of that time anyway their

1 normal work days even without the storms.

2 So the costs of Progress employees regular
3 salaries already built into base rates should not be
4 charged to the customers again through an additional
5 storm charge. This is an example, as well as others,
6 of double dipping which should not be allowed.

7 Second, we believe that the cost of the
8 hurricane should be shared fairly between the company
9 and the customers. We disagree with Progress' position
10 in this case which would pass on almost 100 percent of
11 the costs associated with the 2004 hurricanes to
12 customers. We believe that Progress should contribute
13 a portion of its earnings or profits to pay the cost of
14 the storms.

15 There are several reasons for this position.
16 One, Progress signed a settlement in its last rate
17 proceeding in 2002 that said it would not ask for an
18 increase in base rates unless its return on its
19 investment first fell below 10 percent. Even with the
20 2004 hurricanes, Progress earned well above 10 percent
21 return on its investments in 2004.

22 Because of this settlement, Progress should
23 use its earnings above the 10 percent return on
24 investment towards storm cost.

25 Second, even without the settlement, customers

1 should not have to bear close to 100 percent of the
2 cost for the 2004 storms. Progress is paid in its base
3 rates for the risk of doing business in Florida, and
4 that risk includes hurricanes. So we believe that
5 customers should not have to insure the company against
6 all hurricane losses.

7 So it is only fair and reasonable that the
8 company should use its earnings above the 10 percent
9 return on its investment towards storm costs. If the
10 Commission agrees with all the citizens' positions,
11 this would result in a reduction of the storm recovery
12 request from 252 million to 123 million retail, a
13 reduction of 128 million. Thank you.

14 CHAIRMAN BAEZ: Thank you. Thank you,
15 Ms. Christensen. At this point we're ready to begin
16 taking public testimony. And for those of you who
17 intend on addressing the Commission, we will swear you
18 in at this point. So everyone that signed up to speak
19 will you please stand up and raise your right hand.

20 (Witnesses collectively sworn.)

21 CHAIRMAN BAEZ: Thank you. We have a couple
22 of people that I'd like to call up first,
23 Ms. Christensen. First, Vice Chairman Welch, are you
24 here, sir?

25 WITNESS WELCH: Yes.

1 CHAIRMAN BAEZ: Welcome.

2 VICE CHAIRMAN KENNETH WELCH

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

6 WITNESS WELCH: Chairman Baez, members of the
7 Commission, welcome to Pinellas County. Welcome back,
8 Commissioner Bradley. To answer your question in the
9 spirit of intergovernmental cooperation, the Commission
10 is more than happy to delegate responsibility for the
11 weather to Clearwater and Clearwater Commission. So
12 they're responsible for that.

13 I will be brief, as you've heard, I think,
14 from my colleague Ronnie Duncan last night, and my
15 colleague, Commissioner Harris, has some statements as
16 well. But really what last year was about was
17 coordination from the county perspective and getting
18 critical infrastructure back on line quickly.

19 And speaking with our county administrator and
20 Gary Vickers, our emergency management director, who I
21 think spoke to you last night as well, last year we had
22 the best coordination effort that we've ever had with
23 Progress Energy.

24 And part of the reason was that they had a
25 person at our Emergency Operations Center who was

1 empowered to move assets to allow us to get facilities
2 back on line quickly, whether it's getting -- there was
3 a slide a couple minutes ago that showed power lines
4 across a roadway. And that's a real problem when we
5 have arterial roads that are blocked. And so that was
6 one area we were really able to work together quickly
7 getting hospitals back on line, our EMS facility.

8 And so we think that overall Progress did a
9 very good job last year. We've identified a couple
10 places where we can improve the coordination in terms
11 of the time of evacuation and shutting down of power to
12 some of the coastal areas, but we're already working on
13 that.

14 So I would give Progress Energy very high
15 grades for their performance last year. Thank you for
16 your time. Do you have any questions for me?

17 CHAIRMAN BAEZ: Any questions? Thank you,
18 sir. Thank you for your comments. Next I have
19 Commissioner Harris. Welcome, sir.

20 COMMISSIONER CALVIN HARRIS
21 was called as a witness on behalf of the Citizens of
22 the State of Florida and, having been duly sworn,
23 testified as follows:

24 WITNESS HARRIS: Good morning. Mr. Chairman
25 and Commissioners, I want to welcome you to Pinellas

1 County. And don't let this weather fool you. This is
2 just a teaser. It really gets a lot better, and you
3 have to come back.

4 CHAIRMAN BAEZ: It's already clearing up, and
5 you just got up, so who gets the credit for that?

6 WITNESS HARRIS: I will claim it. I want to
7 thank you for being here. One of the things I've
8 learned in my public life is that you cannot give
9 citizens too many opportunities to talk about their
10 relationship with governmental bodies and institutions.

11 We found during the last hurricane that we had
12 the best response we had ever had. And as Commissioner
13 Welch stated, we had a person in the EOC around the
14 clock with our staff who could make those decisions.

15 But the other part were the customer service
16 staff who were there because in a crisis, people want
17 to call us. **They want to know from us when things will**
18 **improve.** And so our offices could have critical
19 information when they called us to ask us about when
20 their lights were going to be on, when things would
21 happen. We had that information.

22 And it was just nice to be able to talk to
23 people on a regular basis who could make those
24 decisions, who were always there. You know, they
25 didn't leave because it was 6:00 or it was 11:00. They

1 were on our staff, and they were there with our EOC
2 directors and staff. And we just felt that they helped
3 us keep our citizens calm and informed. And we do
4 appreciate that. Can I answer any questions for you?

5 CHAIRMAN BAEZ: Any questions for the
6 Commissioner? Sir, thank you for your comments.

7 WITNESS HARRIS: Well, I do thank you all for
8 being here. We look forward to having you here when we
9 have a real Pinellas County day for you. Thank you.

10 CHAIRMAN BAEZ: Thank you very much. Next,
11 Commissioners, I have Vice Mayor Jimmy Johnson of
12 Seminole City Council.

13 VICE MAYOR JIMMY JOHNSON

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

17 WITNESS JOHNSON: Good morning, Mr. Chairman,
18 Commissioners. Thank you for being here this morning.
19 I'm certainly pleased to be here personally
20 representing the City of Seminole, Florida.

21 We were really, really pleased with results
22 that Progress Energy rendered to us during the four
23 major disasters that we suffered last year. The
24 communications was very sound. The response was quick.
25 And our people were real pleased with what these people

1 did for us.

2 And we do thank them. And we certainly don't
3 ever want to be in that position again, but if we are,
4 we know that the communications will be there, the
5 tireless efforts will be there. And we appreciate all
6 that Progress Energy has done for us. Thank you very
7 much.

8 CHAIRMAN BAEZ: Thank you, sir. Any
9 questions, Commissioners? Thank you for your comments.
10 And next on my list is Mayor Maloof, Treasure Island.

11 MAYOR MARY MALOOF

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

15 WITNESS MALOOF: Good morning, and thank you
16 for the opportunity to be here. I'm here to speak for
17 Progress Energy and the excellent service that they
18 provided to our community. And I'd like to simply read
19 a letter into the record.

20 "Dear Mr. Habermeyer, I want to take this
21 opportunity to say thanks to Progress Energy for
22 helping us here in Treasure Island get over the effects
23 of the hurricanes. Our major problem was loss of
24 power, but due to the efforts of Nancy Loehr and Laura
25 Whitted, when we called, the repair team showed up as

1 quickly as possible.

2 "It's been a difficult time for Progress
3 Energy trying to reach all those who are suffering in
4 the Florida sun without power, which has been something
5 we all take for granted and expect to always work when
6 we turn on the switch. Please accept our thanks as a
7 community for answering our calls so quickly.

8 "We also wanted to let you know how very much
9 we value Nancy Loehr and her service to our entire
10 area. Nancy appeared unexpectedly at our Commission
11 meeting last week, and she received a round of applause
12 from a thankful city. So I want to say thank you to
13 Progress Energy for the way they handled this. And we
14 know we can count on them for continued support."

15 Thank you for your time.

16 CHAIRMAN BAEZ: Thank you, Mayor. Any
17 questions of the Mayor? Thank you, Mayor. I have one
18 last, Sally Parks.

19 WITNESS PARKS: Yes, sir. I didn't sign up,
20 but I would like to speak.

21 CHAIRMAN BAEZ: Did you swear in?

22 WITNESS PARKS: I did.

23 CHAIRMAN BAEZ: Okay. If you're sworn in,
24 then you're signed up.

25 SALLY PARKS

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

4 WITNESS PARKS: Thank you, Commissioners.
5 Good to see you, Commissioner Bradley, back home,
6 really. And it's nice to be here today. I'd like to
7 speak on behalf of Florida Power, not only about the
8 hurricanes for which I think the recovery was truly
9 amazing in Pinellas County and the Tampa Bay area, and
10 I was one of those without power for four and a half
11 days because I live on a little tiny street in a little
12 tiny grid, and I'm still not complaining because I saw
13 how quickly they did what they needed to do.

14 But I want to talk about Florida Power as a
15 good community partner. I'm just a girl who can't say
16 no. And I sit on about 11 boards in the community, and
17 that's why I can't say no, because they're all good
18 organizations. And I look so often at Florida Power
19 and what kind of community partner they are, and that
20 is where I see their value.

21 And specifically I want to tell you about a
22 situation. Last year I was president of my Rotary Club
23 of Dunedin. We have about 85 members. And with the
24 other Rotary Club, we needed to raise about \$200,000
25 for a Rotary -- Rotary nature project on Honeymoon

1 Island.

2 So we went to Florida Power to ask them --
3 Progress Energy to ask them if they would be a partner
4 with us on this. And they said, well, they'd consider
5 it, but have you thought of? And they introduced us to
6 other partners for which we raised a whole lot more
7 money than we got from Progress Energy.

8 That's what they do. They help see the
9 community in a very broad partnership. And I value
10 that. I value them in the community. And I think that
11 this is a situation where fair is fair. And I, like
12 most of the people in this room, are paying Progress
13 Energy bills monthly. I'm willing to pay that extra \$4
14 or so to help them recover. Thank you very much.

15 CHAIRMAN BAEZ: Thank you, Ms. Parks.
16 Commissioners, any questions? Ms. Christensen, you may
17 call our next witness.

18 MS. CHRISTENSEN: Mr. Smonik.

19 ED SMONIK
20 was called as a witness on behalf of the Citizens of
21 the State of Florida and, having been duly sworn,
22 testified as follows:

23 WITNESS SMONIK: Good morning. My name is Ed
24 Smonik. I'm with Morton Plant Mease Health Care, a
25 local hospital and health care facility organization.

1 For us, electrical power is more than a convenience and
2 comfort issue. Literally lives may hang in the
3 balance.

4 Over the years we've worked with Progress
5 Energy and prior to that, Florida Power, just for the
6 reliable assurance of power in normal circumstances.
7 Florida has a lot of thunderstorms in the summer, and
8 little interruptions do happen.

9 Last year's hurricane season we all know was
10 record setting. Our four hospitals experienced one and
11 a half days of total power loss through all four
12 storms. We think that the investment Progress Energy
13 has made in mitigation, preparedness, response and
14 recovery has already benefited us and the people we
15 serve in the community. We'd like to see that
16 continue.

17 We're speaking in support of Progress Energy's
18 request for reimbursement for extraordinary expenses
19 during that hurricane season. In fact, we'd like to do
20 more. We'd like to have the most robust and reliable
21 utility grid that we can afford to have, and we think
22 Progress Energy is an affordable provider to us. Thank
23 you.

24 CHAIRMAN BAEZ: Thank you, Mr. Smonik. Any
25 questions, Commissioners? Thank you for your comments,

1 sir. Ms. Christensen.

2 MS. CHRISTENSEN: Yes, Commissioner. The next
3 person I have on the list did not check whether or not
4 they wanted to speak. I'm not sure if we want to just
5 go to those that indicated they wanted to speak and
6 come back at the end.

CHAIRMAN BAEZ: If you've got a name, we can
8 take care of this right now.

9 MS. CHRISTENSEN: Mr. Magidson.

10 CHAIRMAN BAEZ: Mr. Magidson? Did I get that
11 right?

12 WITNESS MAGIDSON: Magidson.

13 CHAIRMAN BAEZ: I'm sorry?

14 WITNESS MAGIDSON: Magidson.

15 CHAIRMAN BAEZ: Magidson. Step up, sir, if
16 you want to speak.

17 JOSHUA MAGIDSON

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

21 WITNESS MAGIDSON: Good morning. My name is
22 Josh Magidson. I'm an attorney here in town, over
23 25-year resident of Clearwater Beach. Chairman of the
24 board of PAC Foundation, Inc., which is Ruth Eckerd
25 Hall's foundation.

1 I'm here to tell you about the great partner
2 that we have with Progress Energy and how they have
3 assisted not just Ruth Eckerd Hall, but as you heard,
4 all other cultural and arts organizations in this
5 community.

6 They have demonstrated not only their
7 involvement and interest but from an economic viability
8 point, they are a leader for cultural arts, other kinds
9 of public awareness programs in our community. **A lot**
10 of the money that they bring in through these rates and
11 other ways that they raise money goes back right into
12 the community. And I wanted you to be aware of their
13 significant involvement.

14 They have many executives throughout the
15 community serving on our boards. We have Progress
16 Energy people serving on our board, and they are
17 terrific. They bring tremendous leadership to our
18 community. They are a dedicated people. And we
19 appreciate everything they've done. **Thank you.**

20 CHAIRMAN BAEZ: Thank you, Mr. Magidson. Any
21 questions, Commissioners? Thank you, sir.
22 Ms. Christensen.

23 MS. CHRISTENSEN: Mr. Griffin.

24 MICHAEL GRIFFIN

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

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

3 WITNESS GRIFFIN: Mr. Chairman, members of the
4 Commission, Happy St. Patrick's Day. Wearing a little
5 bit of green. I don't see many of you up there with
6 green.

7 CHAIRMAN BAEZ: We've been on the road. You
8 will forgive us for the lack of --

9 WITNESS GRIFFIN: Thank you for that. I'm
10 going to be very brief. Again, for the record, my name
11 is Michael Griffin. I'm a rare native of Pinellas
12 County. And I'd like to speak in support of Progress
13 Energy Florida.

14 Aside from what's already been stated about
15 their professionalism, their ability to work with local
16 government and municipalities, I just want to make sure
17 this Commission makes note of the time and energy that
18 the men and women who are out there fixing these power
19 poles and getting us back up to speed both on an
20 administrative side and out there on the trucks aren't
21 forgotten.

22 They're out there when I'm with my family.
23 I'm very secure, with a lot of water and a lot of
24 batteries and a lot of flashlights. **They're** out there
25 getting us back up to speed away from their family.

1 And I want to make sure that in the future, God forbid
2 this ever happens again with the amount of catastrophes
3 and natural disasters that we've encountered, that
4 there's no shadow of a doubt that we are there to
5 support them, that the money is there to support them,
6 but more importantly, our partners are also there to be
7 supportive as far away as San Diego, California.

8 I believe that the psychology of this is
9 important. That, again, that the men and women know
10 that the amount of hours they're going to work and the
11 fact that a lot of them put their lives in danger being
12 out there, that money will be there to support them, to
13 support their families, to get them back as soon as
14 possible.

15 I hope one day that we can just have the
16 technology to be able to flip a switch and all the
17 power goes right back on immediately. That's not here
18 yet, but I think due to these type of increases, that
19 will soon get there in your lifetime and hopefully mine
20 as well.

21 But I just want to thank Progress Energy for
22 their support in this community, much like Sally Parks
23 had stated, but more importantly, we need to support
24 the men and women that are out there every day working
25 hard getting us back up to speed, getting us our power

1 back on. And we can't thank them enough. Thank you
2 very much, members of the Commission, Mr. Chairman. If
3 there are any questions.

4 CHAIRMAN BAEZ: Questions of Mr. Griffin?
5 Thank you, sir, for your comments.

6 MS. BRUBAKER: And I'm going to be
7 pinch-hitting for OPC for a moment. Next speaker is
8 Jimmy Johnson.

9 CHAIRMAN BAEZ: I think Commissioner Johnson
10 has already.

11 MS. BRUBAKER: Oh, okay. Sorry. Doris Kemp.
12 Ms. Kemp.

13 CHAIRMAN BAEZ: Good morning, Ms. Kemp.

14 DORIS KEMP
15 was called as a witness on behalf of the Citizens of
16 the State of Florida and, having been duly sworn,
17 testified as follows:

18 WITNESS KEMP: Good morning. I live in what
19 the map calls Heart of Belleair. And I want to speak
20 for Florida Progress. And I want to thank Florida
21 Progress for getting our power on so quickly. I also
22 want to say that I got a phone call from them during
23 each of the hurricanes asking for the -- from Florida
24 Progress asking about the status of our electricity. I
25 personally appreciate that. And I hope I speak for my

1 neighbors. Thank you.

2 CHAIRMAN BAEZ: Questions of Ms. Kemp? Can't
3 get off that easy, Ms. Kemp. Thank you very much.
4 Thank you for coming.

5 MS. BRUBAKER: Beth Coleman.

6 BETH COLEMAN

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

10 WITNESS COLEMAN: Good morning, Chairman,
11 Commissioners. I'm Beth Coleman. I am the president
12 and CEO of the Clearwater Regional Chamber of Commerce.
13 The mayor indicated I need to take responsibility for
14 the weather. I'm happy to do so. The sky, as you can
15 see is clearing up. Sometimes a little rain is
16 necessary in order to ensure when we finally get done
17 with our work, you'll have a beautiful weekend.

18 CHAIRMAN BAEZ: Thank you.

19 WITNESS COLEMAN: I'm here today to make a
20 statement in support of Progress Energy. On November
21 18, 2004, the Chamber board of directors passed a
22 resolution in support of Progress Energy and all of the
23 great work that they did during the hurricanes last
24 year.

25 The resolution states that Progress Energy is

1 a valued member of our community. And when our
2 community and our businesses were in need during the
3 repeated hurricanes, they assured the quick and
4 effective restoration to the businesses.

5 This was certainly important to our quality of
6 life and on an economic standpoint to keep our
7 businesses operating. Furthermore, there is great
8 value to a community when a utility such as Progress
9 Energy is also such a great community partner.

10 The resolution went on to thank all of the
11 employees of Progress Energy and the company for their
12 time and effort to assist the community during the
13 worst hurricane season Florida has faced. We thank
14 them. And, again, and the Chamber is in support of
15 Progress Energy.

16 CHAIRMAN BAEZ: Thank you, Ms. Coleman. Any
17 questions? Thank you very much.

18 WITNESS COLEMAN: Thank you. Have a great
19 weekend.

20 MS. BRUBAKER: Denise Leyshock.

21 CHAIRMAN BAEZ: Good morning.

22 DENISE LEYSHOCK

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

1 WITNESS LEYSHOCK: Good morning. My name is
2 Denise Leyshock. I am the associate director of
3 corporate participation at Ruth Eckerd Hall. I am
4 pleased to be here today to inform you about one of
5 Progress Energy's many community partnerships.

6 Progress Energy has supported Ruth Eckerd Hall
7 and our performance and educational programs over 20
8 years. And provides -- helps provide premier
9 opportunity and arts education support over the years.
10 Progress Energy has proven that it is a company that
11 has supported us over many years, and it is committed
12 to the communities in which it serves.

13 Progress Energy provides itself -- prides
14 itself on supporting education and organization
15 programs and focuses on the improving of the quality of
16 life and for their employees, their customers, and for
17 all of us. Ruth Eckerd Hall thanks Progress Energy for
18 its support over the years and looks forward to
19 continuing to work with a company that demonstrates
20 that it is a caring and involved corporate citizen
21 within the Tampa Bay area. Thank you very much.

22 CHAIRMAN BAEZ: Thank you, Ms. Leyshock. Any
23 questions? Thank you. Have a good morning.
24 Ms. Christensen.

25 MS. CHRISTENSEN: I believe the next customer

1 who requested to speak, I believe it's Don Shea. Can't
2 read the first name. Best guess.

3 DON SHEA

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

7 WITNESS SHEA: Thank you very much,
8 Mr. Chairman and members of the Commission. My name is
9 Don Shea, even though my handwriting sometimes is
10 illegible. I'm the president of the St. Petersburg
11 Downtown Partnership, and we're a member home to
12 membership organization with a mission to improve
13 St. Petersburg's downtown as a place to live and work
14 and play and invest.

15 And I have a letter I'd like to submit to you,
16 but I'll paraphrase it by saying that we strongly feel
17 that Progress Energy Florida made exceptional steps to
18 ensure uninterrupted electrical service in downtown
19 St. Petersburg throughout these four major events, and
20 that those steps resulted in a happy outcome for us.

21 This was especially critical to the three
22 major hospitals, university campus, and the large
23 multi-tenant office buildings in downtown St. Pete.
24 Furthermore, the headquarter staff of Progress Energy
25 Florida located largely in downtown gave tirelessly in

1 their effort to restore power throughout the service
2 area following each of the four hurricanes, resulting,
3 we feel, in very rapid restoration. Under high stress
4 conditions, Progress Energy truly delivered.

5 Thank you for this opportunity to comment
6 today. And we urge you to support the petition of
7 Progress Energy Florida.

8 CHAIRMAN BAEZ: Thank you, sir. Questions for
9 Mr. Shea? Did you have the letter with you --

10 WITNESS SHEA: I do, yes.

11 CHAIRMAN BAEZ: -- you wanted to submit it --

12 WITNESS SHEA: Be happy to.

13 CHAIRMAN BAEZ: -- in the record, go ahead and
14 give it to counsel.

15 WITNESS SHEA: Thank you very much,
16 Mr. Chairman.

17 MS. BRUBAKER: And just for the record, that
18 would be identified as Exhibit 4.

19 CHAIRMAN BAEZ: Very well. Ms. Christensen.

20 MS. CHRISTENSEN: Blair Loveland.

21 CHAIRMAN BAEZ: Good morning, sir.

22 BLAIR LOVELAND

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

1 WITNESS LOVELAND: Good morning. How are you
2 this morning? Prepared my notes so they're clear and
3 not flustered. I am a former Progress Energy employee.
4 I was there for approximately four and a half years. I
5 have since gone to the banking industry. As such, I
6 feel I have a unique perspective of viewing Progress
7 Energy's rate increase request from the view of an
8 employee, a ratepayer, and as someone from the
9 financial services industry.

10 Progress Energy is saying that they spent more
11 money than expected for hurricane expenses. First of
12 all, again, this is Florida, and hurricanes are a cost
13 of doing business in Florida. Before the PSC
14 authorizes a blank check for Progress Energy, the PSC
15 also needs to look at other financial aspects of the
16 company's operations, which I think you will find does
17 cast a doubt on the legitimacy of the amount that
18 Progress Energy is requesting or at least alluding the
19 amount that they are requesting.

20 During my tenure at Progress Energy, I did
21 witness dozens of positions either eliminated or not
22 filled in the customer service center. These jobs went
23 to an outsourcing agency called CR in Atlanta, Georgia.
24 A company would only outsource for a cost savings.
25 Where are these savings going? Apparently not to the

1 ratepayers.

2 Another cost saving -- could cost savings --

3 CHAIRMAN BAEZ: You can take your time.

4 WITNESS LOVELAND: Another cost savings
5 initiative the company has done has been to reduce the
6 number of hours they take customer service calls, again
7 reducing their own hours. They used to be 24/7. Now
8 I'm sure you'll find if you call customer service, I
9 believe they are closed at I think 9:00 or even closed
10 on Sunday or weekends for even shorter hours. Again,
11 where are these cost savings going?

12 I recently talked to a former associate who is
13 a trainer at Progress Energy, whose name I would like
14 to keep anonymous unless requested for his job safety.
15 He advised that the company has even started offering
16 early retirement to anyone five years of service and 50
17 years of age. That's quite a large segment of their
18 population.

19 Who is going to replace these positions they
20 are being hired with, outsourced or replaced with,
21 again, cheaper labor. Again, a cost savings which
22 needs to be taken into consideration with their request
23 for cost recovery. Again, where are these costs --
24 where are these savings being calculated in the amount
25 Progress Energy is asking the ratepayers to pay?

1 It would appear that Progress Energy is trying
2 to mislead the PSC into allowing Progress Energy to
3 again double dip both cutting costs to buttress their
4 bottom line as well as to get the Florida citizens to
5 dig deeper into their pockets for Progress Energy's
6 financial missteps and failing to plan for further
7 hurricane needs.

8 I believe the slide show has 40 something
9 million dollars of hurricane reserves. \$6 million a
10 year times 12 years since Hurricane Andrew, that's \$70
11 million, plus investment revenues and returns.

12 In a February 19 St. Pete Times article,
13 Progress Energy regulatory services director, Javier
14 Portuondo, stated that in 1994 Progress Energy was
15 allowed to earmark \$6 million a year for extraordinary
16 storm cost. Again, that was 1994. Since then they
17 apparently account for cost inflation and general good
18 financial planning.

19 Again, we live in Florida where hurricanes are
20 normal. The Florida citizens already had to dig deep
21 to rebuild their own houses. They should not have to
22 dig deep to rebuild Progress Energy's house, especially
23 when they already had their own money apparently
24 earmarked for the stockholders instead.

25 In closing, before the PSC considers granting

1 Progress Energy's request for more thorough request, a
2 more thorough financial examination should be done.
3 The ratepayers of Florida deserve that the PSC perform
4 a due diligence and given the reductions of cost and
5 services listed prior, perhaps again a full rate should
6 really be revisited. Thank you.

7 CHAIRMAN BAEZ: Questions for Mr. Loveland?
8 Thank you, sir, for your comments.

9 WITNESS LOVELAND: Now it's time to go pay my
10 electric bill.

11 CHAIRMAN BAEZ: Ms. Christensen.

12 MS. CHRISTENSEN: Mr. Edward Ural.

13 ED URAL

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

17 WITNESS URAL: Good morning. And thank you
18 for the opportunity to speak, Mr. Chairman and members
19 of the Commission. I am Ed Ural. I'm the assistant
20 director of maintenance of the Pinellas County School
21 Board. And I can tell you that last year was a real
22 eye opener for us. Four named storms, two of which had
23 direct impact on us. We had to do a lot of work.

24 A lot has been said here by others. I won't
25 take up your time with that. But basically we look at

1 storm readiness and preparedness. That's essential for
2 us. We look at communication and planning to be
3 successful. And we also look at hurricane recovery.

4 Now, during the storms you may be aware that
5 we also are shelters. We provide shelters for people
6 who have to evacuate their homes. That's a critical
7 need that we have. We coordinate with Gary Vickers.
8 Again, I can't say enough good about Gary and his staff
9 and how we work closely with them and the challenges.

10 But one of the things that we do is hurricane
11 recovery. We have to get our schools opened again for
12 the business of education. That's critical to us. And
13 it takes a lot of effort. And we put in a lot of
14 hours, I can tell you that, sitting at the computer,
15 updating that thing constantly, speaking on cell
16 phones, radios, and so forth to get our people out.
17 That's our electricians, our workers to clear debris,
18 to make necessary repairs.

19 But one of the critical things we've got to do
20 is restore power. We can't open a school for education
21 or anything else without power. Okay? So we work very
22 closely with Gail Simpson, with Laura Whitted, with
23 others, and we were on the phone constantly.

24 I looked at my data for Hurricane Jeanne, and
25 I can tell you we have a list, we have over 150

1 facilities. So when we say get the power back on,
2 we've got to track each one of those schools. We've
3 got to look at the power feed. Some of them have
4 multiple power feeds coming onto the site. We've got
5 to get it restored and get it done quickly because the
6 question is from our superintendent and our school
7 board when can we reopen the schools?

8 Now, what we had here in 2004 was an
9 extraordinary effort by all parties, including Florida
10 Power. They did a splendid job for us, worked
11 tirelessly with us. I can't say enough about that.
12 Gail and her staff, as I said, we were on the phone
13 with them constantly during the storm naturally with
14 EOC but after the storm, of course, recovery for
15 several days, working directly with Gail and her people
16 and their line crews and the guys, as been said, that
17 put their lives on the line getting the debris cleared,
18 working with our electricians to restore power.

19 We had, I think, a fantastic year when you
20 consider the amount of potential damage that we missed
21 dodging that bullet, but the damage that we did take,
22 the recovery was phenomenal. And I want to commend
23 Progress Energy for their efforts in that and support.
24 Thank you very much.

25 CHAIRMAN BAEZ: Commissioners, questions of

1 Mr. Ural? I have one, and it's only because it's come
2 up. You're not the first school district official to
3 come and address us, and it's come up before as part of
4 their discussions about the mold and mildew in the
5 facilities. Do you have any idea whether you have
6 problems like that or any issues of that sort?

7 WITNESS URAL: We have a comprehensive indoor
8 air quality program. We have a certified health
9 hygienist. And if we have any indoor air quality
10 complaints, because we have a process that people can
11 go through any employees, students, whatever, fill out
12 a form, and we investigate that.

13 Air conditioning is a critical part of that.
14 Electric power is necessary for air conditioning. So
15 for me to tell you do we have indoor air quality
16 problems? Yes, we do. We correct those.

17 CHAIRMAN BAEZ: No -- and I didn't mean to
18 suggest that you -- that's an ongoing thing. One of
19 the -- one of the issues is, I guess, a function of how
20 long the restoration of power may have taken or not.
21 And again, in my mind, I don't think it's necessarily
22 an indication of any adequacy or inadequacy. I was
23 just curious because we have had other school board
24 officials from other neighboring counties actually
25 mention it. It was just something that popped into my

1 head. But if you don't have -- I mean, as a result of
2 the storms is really my question.

3 WITNESS URAL: As a result of the storms, we
4 didn't see any major impact in indoor air quality in
5 our facilities. That, of course, is a direct function
6 of how quickly we can restore the air conditioning
7 system. Because of the temperature and humidity that
8 are associated with the storm, especially when the
9 buildings are closed in, we get ventilation especially
10 in our shelters. We keep ventilation going with
11 emergency power and so on.

12 But the air conditioning system is paramount
13 to cleaning up the building, to getting the humidity
14 out of the building to reduce the possibility of mold
15 and mildew. We had what I would refer to as an
16 extraordinary cleanup effort going in and wiping things
17 down and so on. But we recovered very nicely from
18 that. And so no major impact in indoor air quality.

19 CHAIRMAN BAEZ: Thank you very much,
20 Mr. Ural.

21 WITNESS URAL: You're welcome. Thank you.

22 MS. CHRISTENSEN: I have no further persons
23 signed up to speak.

24 CHAIRMAN BAEZ: Is there anyone in the room
25 that did not sign up to speak that wishes to give

1 testimony at this time? Commissioners, at this point I
2 would suggest a 15-minute break and we can reconvene.
3 If we haven't had any other customers show up, we'll go
4 ahead and consider adjournment. We will recess for 15
5 minutes until I have 11:30, until 11:30.

6 (Brief recess.)

7 CHAIRMAN BAEZ: We'll reconvene the service
8 hearing. Ms. Christensen, do we have any other
9 witnesses signed up to speak?

10 MS. CHRISTENSEN: Commissioner, I have no
11 other persons signed up to speak

12 CHAIRMAN BAEZ: All right. Thank you. Is
13 there anyone in the audience that has not signed up to
14 speak that would like to address the Commission at this
15 time? Very well. Seeing none, I want to thank you all
16 for coming. I want to thank the customers who gave
17 testimony for their comments. Two more? One more?
18 Okay. Then I will rewind that back. Mr. Morrisette.
19 You got in just under the wire.

20 WITNESS MORRISSETTE: Just under the wire.

21 CHAIRMAN BAEZ: Will you raise your right
22 hand.

23 (Witness sworn.)

24 TOM MORRISSETTE
25 was called as a witness on behalf of the Citizens of

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

3 WITNESS MORRISSETTE: I just wanted to say on
4 behalf of Progress Energy and the Largo Mid Pinellas
5 Chamber, who I represent, what a wonderful job Progress
6 Energy did for our community during the plight of
7 storms that we had last summer. I've been here in this
8 area for one year not only as a resident in the area
9 plus representing the Chamber. We got several calls.
10 We knew the people to call at Progress Energy. They
11 were there right away. I saw these people working
12 around the clock. They did a fantastic job in our
13 community.

14 And on behalf of Progress Energy and the
15 Chamber of Commerce, it went very, very smoothly all
16 summer long. We recovered real well. So on behalf of
17 the business community, I want to thank them too for a
18 job well done.

19 CHAIRMAN BAEZ: Thank you, Mr. Morrisette.
20 Any questions of Mr. Morrisette? Thank you, sir.
21 Thank you for coming and taking the time.

22 And I will ask again is there anyone out there
23 who wishes to address the Commission before we adjourn?
24 Seeing none, again, I want to thank you for coming out.
25 I personally found the comments very useful, and

1 hopefully my colleagues did as well. The next hearing
2 is the technical hearing.

3 MS. BRUBAKER: Well, actually, there's a
4 service hearing in Tallahassee. I believe it starts at
5 9:30. It's the day of the hearing March 30.

6 CHAIRMAN BAEZ: You are correct. I always
7 forget that part. So the next time we meet on this
8 docket will be a service hearing that starts at --

9 MS. BRUBAKER: I believe it's 9:30.

10 CHAIRMAN BAEZ: -- 9:30 in Tallahassee. And
11 it will be -- I don't know what the word is but let's
12 just call it adjacent to or in conjunction with the
13 technical hearing as scheduled. For those of you that
14 are coming up, hope to see you all there. For those of
15 you that stay behind, thank you, and have a great
16 weekend, and thanks again for coming. We are
17 adjourned.

18 (Whereupon, the hearing concluded at 11:30
19 a.m.)
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1 CERTIFICATE OF COURT REPORTER

2 STATE OF FLORIDA)

3
4 COUNTY OF PINELLAS)5
6 I, Donna W. Everhart, RMR, Court Reporter,
7 DO HEREBY CERTIFY that the hearing in this
8 cause, Docket No. 041272-EI, was heard by the Florida
9 Public Service Commission at the time and place herein
10 stated; it is further11 CERTIFIED that I reported in shorthand the
12 said proceedings; that the same has been transcribed
13 under my direct supervision, and that this transcript,
14 consisting of 58 pages, constitutes a true and accurate
15 transcription of my notes of said proceedings; it is
16 further17 CERTIFIED that I am neither of counsel nor
18 related to the parties in said cause and have no
19 interest, financial or otherwise, in the outcome of
20 this docket.21 IN WITNESS WHEREOF, I have hereunto set my
22 hand at St. Petersburg, Pinellas County, Florida, this
23 22nd day of March, 2005.
24
25

Donna W. Everhart, RMR