

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 050078-EI

In the Matter of

PETITION FOR RATE INCREASE BY
PROGRESS ENERGY FLORIDA, INC.



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PROCEEDINGS: OCALA SERVICE HEARING

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

DATE: Wednesday, July 20, 2005

TIME: Commenced at 11:00 a.m.
 Concluded at 12:07 p.m.

PLACE: Ocala City Council Chambers
 City Hall
 151 Southeast Osceola Avenue
 Ocala, Florida

REPORTED BY: LINDA BOLES, RPR, CRR
 Official FPSC Hearings Reporter
 (850) 413-6734

1 APPEARANCES:

2 MIKE B. TWOMEY, ESQUIRE, AARP, Post Office Box 5256,
3 Tallahassee, Florida 32314-5256, appearing on behalf of AARP
4 and Sugarmill Woods Civic Association.

5 SCHEFFEL WRIGHT, ESQUIRE, Landers Law Firm, P.O. Box
6 271, Tallahassee, Florida 32302, appearing on behalf of Florida
7 Retail Federation.

8 JOSEPH A. MCGLOTHLIN, ESQUIRE, Office of Public
9 Counsel, c/o The Florida Legislature, 111 West Madison St.,
10 Room 812, Tallahassee, Florida 32399-1400, appearing on behalf
11 of the Citizens of the State of Florida.

12 JAMES A. MCGEE, ESQUIRE, and JEFF LYASH, Progress
13 Energy Service Company, LLC, Post Office Box 14042, Saint
14 Petersburg, Florida 33733, appearing on behalf of Progress
15 Energy Florida, Inc.

16 JENNIFER RODAN, ESQUIRE, FPSC General Counsel's
17 Office, 2540 Shumard Oak Boulevard, Tallahassee, Florida
18 32399-0850, appearing on behalf of the Florida Public Service
19 Commission Staff.

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P R O C E E D I N G S

1
2 CHAIRMAN BAEZ: Good morning, everyone. I'd like to
3 call this service hearing to order.

4 Counsel, will you read the notice, please.

5 MS. RODAN: Pursuant to notice, this time and place
6 has been set for a customer service hearing in Docket Number
7 050078-EI, petition for a rate increase by Progress Energy
8 Florida.

9 CHAIRMAN BAEZ: Good morning again. My name is
10 Braulio Baez. I'm the Chairman of the Public Service
11 Commission. We have a full complement of Commissioners today.
12 And to my far left, Commissioner Lisa Edgar; to my left,
13 Commissioner Rudy Bradley; and to my right, Commissioner Terry
14 Deason.

15 I want to welcome you all and thank you, those
16 members of the public who took time out of their busy days to
17 be with us this morning. And we are very anxious to hear your,
18 your comments on the proposed rate increases filed by Progress
19 Energy.

20 Going over the ground rules briefly, we do have
21 representatives of the company today. I'm fairly certain,
22 Mr. McGee, that the company has service, Customer Service
23 Representatives.

24 MR. MCGEE: Yes, sir, we do, at the back of the room.

25 CHAIRMAN BAEZ: They are at the back. A word of

1 advice: I find these service hearings to be very useful in
2 resolving any complaints or any issues you may have with your
3 bills or your service, so please take advantage of the fact
4 that the Customer Service Representatives are here. Just flag
5 one down and I'm sure they'll be very willing to help.

6 As the hearing is going to go, we are going to hear,
7 first of all, from the Petitioner, from Progress Energy. They
8 will have a brief presentation. Public Counsel is here as
9 well, Mr. McGlothlin, who will also have, I believe, some brief
10 comments. And then two additional intervenors, Mr. Twomey with
11 AARP -- is it AARP today?

12 MR. TWOMEY: Yes, sir.

13 CHAIRMAN BAEZ: Okay. And Mr. Wright with Florida
14 Retail Federation also. They will give brief comments to try
15 and set up what kind of things you should be looking at, they
16 feel you should be looking at in the case.

17 After that, we are going to swear witnesses in. This
18 is part of an official hearing process, so those of you that
19 have signed up as you walked in to, to address the Commission
20 today will be sworn in for giving testimony like any other
21 witness. I say this not to discourage you from doing that.
22 It's why we're here. We didn't come to hear the company or the
23 intervenors speak today; we came to hear from you. You could
24 be subject to some questions from either side, either of the
25 parties, any of the parties. I don't say that to discourage

1 you. I don't, I don't think you, there's anything to, to
2 concern yourself with. I just have to say that as well as a
3 part of a disclosure.

4 I mentioned earlier about signing up to speak. As
5 you walked in, there was, there was a table with several, a lot
6 of PSC literature and brochures with helpful tips. I hope each
7 of you will take one as you go home. It will be very helpful
8 in controlling your energy bills, telephone bills and learning
9 and understanding what those services are. You also may have
10 seen and picked up a, a Public Service Commission Special
11 Report. The color of the day is blue. I'm holding it here in
12 my hand. This has a brief summary of the, of the requests by
13 Progress Energy in the rate case, gives you some factual
14 information that you can take and use as the basis to form an
15 opinion and give your statements to the Commission.

16 I would also call your attention to the back page of
17 the blue brochure. There is a, there is a space on the back
18 sheet that offers you an opportunity to put your comments in
19 writing. Those of you that didn't want to speak today but
20 still want to have your comments heard or considered by the
21 Commission or made known to us as well do have an opportunity
22 in several other ways to address us to make your, make your
23 feelings on the proposal known. You can write them down here,
24 leave them with Mr. Durbin outside at the PSC staff table, you
25 can mail it in to the Commission, fax them into the Commission,

1 or you can also visit our website, it's WWW.FloridaPSC.com, and
2 you can enter them electronically. So there's a number of ways
3 to make your, make your feelings known.

4 That said, at this point we're going to move into
5 presentations from the company. Mr. McGee will lead off.

6 MR. MCGEE: Thank you, Mr. Chairman. Good morning,
7 Commissioners.

8 THE COURT REPORTER: If you could speak into the
9 mike, Mr. McGee, here, please.

10 MR. MCGEE: My name is Jim McGee. I'm appearing on
11 behalf of Florida Power, excuse me, Progress Energy
12 Corporation. That's a habit that's somewhat hard to break.

13 With me today and to make a brief presentation to the
14 Commission and the audience is Mr. Jeff Lyash. Mr. Lyash is
15 Progress Energy's Senior Vice President for Energy Delivery in
16 Florida, and he has a slide presentation that I believe
17 everybody should be able to see on the, on the wall to my
18 right, your left. And I believe any customers who -- as you
19 mentioned, we have the representatives both in the back of the
20 room and outside. They are tied into the main customer records
21 and can resolve questions that have to do with the specifics of
22 their account. With that, I'll turn it over to Mr. Lyash.
23 Thank you.

24 MR. LYASH: Good morning, Commissioners and
25 customers. I want to thank you for the opportunity to speak

1 today and to speak to the customers. I believe this is an
2 important part of the process, and I look forward to hearing
3 what you all have to say about our service and reliability as
4 the day proceeds.

5 We were here roughly three years ago in a similar
6 situation, quality of service hearings. At that time I can
7 tell you that our customers were not satisfied. We heard a lot
8 of feedback from our folks related to reliability issues and
9 customer service issues, and we took that advice to heart and
10 we worked hard to address it over the last three years.

11 We took the synergies we gained from merging with two
12 companies and reinvested them in the system to what we called
13 our Commitment to Excellence program. And as a result, I'm
14 happy to say as we stand here today, we've seen substantial
15 improvements in almost every performance metric of our business
16 and we intend to continue that. This will be important because
17 our service territory is continuing to grow.

18 What we're here to talk about is base rates. And
19 just as a little perspective, I'd like to give you an idea what
20 prices have done since 1993. This is the last time we proposed
21 a base rate increase. Since 1993 the price of gas has doubled.
22 The Consumer Price Index has gone up 33 percent. In that time
23 Progress Energy base rates have been reduced by 9 percent.

24 How do we accomplish that? How have we accomplished
25 that? Well, we invested wisely. We leveraged technology to

1 hold the customer base price stable. And while we did that, we
2 were successful in improving customer service and reliability.

3 As that 18 -- or that 15-year period transpired,
4 we've seen tremendous customer growth. Our customer base has
5 grown 30 percent since that 1993 date. We've added over
6 2,300 megawatts of generation to the system, and we're
7 continuing to make that sort of investment. As an example, we
8 recently announced a mobile meter reading project. This
9 project allows us to make capital investment in the system that
10 will improve customer service in terms of meter reading
11 accuracy, timeliness of billing and maintaining your privacy.
12 That also allows us to reduce operating and maintenance costs,
13 lowering the cost of service, and that MMR project is already
14 reflected in the rate proposal that we have on the table. And
15 we'll continue to look for ways to do that.

16 Let me talk about customer growth a little bit more.
17 We currently have about 1.5 million customers, and that growth
18 is continuing at about a 3 percent per year addition of
19 customers to the system. But in addition to the customer
20 percentage growth, we've also seen customer use of electricity
21 increase significantly. Individual customer use is growing at
22 about 2 percent a year, or about 35 percent over the last 20
23 years.

24 How do you deal with that? It's a good problem to
25 have. We're in a growing state, a robust economy. It requires

1 substantial capital investment to build new power plants, to
2 build new transmission lines, distribution lines, operating
3 facilities. So in addition to cost pressure associated with
4 rising prices of the materials and labor, there's an ever
5 growing need for capital investment. There are a lot of
6 examples of capital investment. For example, right here in
7 Marion County, Top of the World's Candler subdivision, the
8 Circle Square Ranch development, Avalon development and, of
9 course, The Villages development all continue to grow at
10 significant rates.

11 A significant percentage of our transmission
12 construction over the next decade will take place here in North
13 Florida to prepare this area for future customer growth. It'll
14 be realized in the out years.

15 A second reason I'd like to highlight as it relates
16 to this rate proposal is storm readiness. Hopefully we will
17 not have a repeat of the storm season like we saw last year;
18 however, we cannot depend on luck. We have got to be prepared
19 to respond, much as we did last year, to similar events this
20 year or in the coming years, and we're committed to do that.
21 To do that requires accruing expenses, resources so that we can
22 have them ready to deploy in response to a storm.

23 Well, I've been talking about base rates. Of course,
24 there's also a fuel cost which the customer sees on the bottom
25 line. That fuel cost is a pass-through. That is not an item

1 that the company makes money or earns a return on. However,
2 that does not mean that we're not greatly concerned with fuel
3 costs. I think we are all aware that energy prices, whether
4 it's gasoline, oil, natural gas, have all risen dramatically
5 over the past few years. We are concerned about this and
6 managing fuel to maintain the customer's bill as low as we
7 possibly can. One of the ways we do that is by investing
8 capital in the system to ensure a diverse generating fleet that
9 uses gas, oil, coal and nuclear to try to stabilize fuel prices
10 and hold them against inflationary pressures. In fact, we have
11 the most diverse fuel supply for our generating fleet in
12 Florida.

13 Another way that we're looking to the future and
14 trying to help manage customer cost has to do with evaluating
15 renewables and future energy opportunities. We are partnered
16 with the Florida Department of Environmental Protection and
17 we're installing fuel cells in schools, we're piloting, in
18 cooperation with DEP and Ford, hydrogen fuel cell-powered
19 vehicles with refueling stations at our operating centers in
20 the Orlando area, and we've also at Homosassa State Park just
21 commissioned a project that involves solar energy collection to
22 generate hydrogen to charge fuel cells to provide power. These
23 are all things that we think may be part of the energy future
24 that we're looking to.

25 A very important item here that our customers take

1 advantage of is our demand-side management and energy
2 efficiency programs. These programs help the consumer use less
3 energy or use energy at a more advantageous time. These
4 programs since their inception have saved enough energy to
5 offset 17 peaking power plants, or another way to think about
6 it is to power the City of St. Pete for three years.

7 Okay. Looking back to our base rate proposal,
8 there's some significant elements to this. Roughly half of the
9 proposed increase is related to revenue requirements for new
10 generation, new generation that is necessary to supply that
11 increase in load. 20 percent has to do with the storm reserve
12 to ensure we're in the position to respond appropriately to
13 storms. And the majority of the rest of the rate increase is
14 to continue to strengthen customer service and reliability
15 programs so that we can sustain the trajectory we've
16 established on improvements that benefit the customers.

17 You know, looking to the future, this is a
18 capital-intensive business, and over the next decade we
19 estimate that we'll be required to spend \$10 billion,
20 \$10 billion to add new generation, new transmission,
21 distribution, operating centers. It's important that we be in
22 a position to effectively and cost-efficiently raise the
23 capital to make those investments to support this growing
24 customer base and economy. A significant part of that is
25 ensuring that the company and its investors earn a fair rate of

1 return so that we can secure that capital cost-effectively.

2 Just a note on one very complex issue, and I mention
3 this because, as I talk to customers, there's a lot of
4 confusion on this topic. It has to do with depreciation.
5 Depreciation is a very complex accounting issue. Very
6 experienced CPAs spend their career studying and, and
7 projecting depreciation. In fact, the Commission rules require
8 us to periodically reconduct depreciation studies and to change
9 the depreciation that's passed to customers to reflect those
10 studies. Depreciation can move. This is the price that a
11 customer pays for wear and tear or deterioration over the life
12 of the asset.

13 Where we take actions, as we have in the case of
14 Crystal River, to invest cash to extend the life of that plant,
15 in this case from 40 years to 60 years, we do that in the
16 customers' interest because it prevents building another power
17 station and it preserves what is the lowest fuel cost
18 generating station on the system for an additional 20 years.
19 That extension allows us to decrease the depreciation rate
20 because we've extended the life of the asset, and that
21 depreciation reduction, to rezero that over time, is in this
22 rate proposal.

23 You know, my caution on depreciation is that it is a
24 complex issue and there is not a simple answer to how to deal
25 with it.

1 Just in closing, I want to reiterate that over the
2 last four years since the last occurrence of these quality of
3 service hearings, we, the company, the employees have worked
4 very hard in order to spend money wisely on behalf of the
5 customers to demonstrate that we will improve reliability,
6 customer service, do all that we can to hold the, the bottom
7 line impact to the customer price, and we are committed to do
8 that in the long-term. Part of that commitment requires
9 ensuring that we have revenues to cover our cost of service, to
10 raise the capital -- to provide the return to raise the capital
11 that we know is going to be necessary to fuel this economy.
12 There is no good time for a price increase; we know that. And
13 we also understand the difficult position that -- the task that
14 the Commission has at hand balancing costs in the short-term
15 with service in the long-term and returns for investors, and
16 we're very supportive of that process. Thank you very much.

17 CHAIRMAN BAEZ: Thank you, Mr. Lyash.

18 Mr. McGlothlin.

19 MR. MCGLOTHLIN: With your permission, Commissioners,
20 I'll face away from you for the presentation.

21 CHAIRMAN BAEZ: By all means.

22 MR. MCGLOTHLIN: Good morning. My name is Joe
23 McGlothlin. I'm with the Florida Office of Public Counsel.
24 The Legislature created our office to intervene in proceedings
25 before the Florida Public Service Commission and represent the

1 customers' interests in those proceedings. We have intervened
2 in Progress Energy's rate case.

3 To assist us in our analysis of Progress Energy's
4 filing we engaged the services of consultants in the areas of
5 accounting, cost of capital and depreciation, and they have
6 recommended a myriad of adjustments. Collectively those
7 adjustments tell us that not only does Progress Energy not need
8 a rate increase, the current rates should be reduced by
9 \$360 million annually. A reduction of that magnitude would
10 translate into something like \$6 and change per month per
11 typical average residential customer.

12 I will use my few minutes to describe in a very
13 summary fashion for those of you who are not close to the
14 details of the case the type of presentations that our
15 witnesses will make when the Commissioners take, formally take
16 evidence during the technical hearings in September. And I
17 want to focus on two of the adjustments because they account
18 for a large portion of the, of the dollars involved.

19 First is cost of capital. Progress Energy's
20 investors are entitled to receive a fair and reasonable return
21 on their investment. In utility ratemaking that investment is
22 usually expressed in terms of a percentage, one that relates
23 the amount of profit to the investment in plant and arrives at
24 a percentage called a return on equity. But a fair -- what
25 amounts to a fair and reasonable return is not a static number.

1 It is a function of current economic conditions at whatever
2 point in time one measures them. You don't have to be an
3 expert to understand that currently interest rates are very
4 low. And if you've shopped for a mortgage recently, you know
5 that mortgages can be found for under 6 percent even for a
6 fixed rate term. And if you follow the economic news, you've
7 probably read or heard interviews with analysts who project
8 that, who warn investors to expect single digit returns from
9 the stock market for the foreseeable future. Those are the
10 current economic conditions.

11 Progress Energy has asked for a return on equity,
12 they've asked the Commission to approve and authorize a return
13 on equity of 12.8 percent. Our expert tells us that that is
14 overstated. And when the technical hearings arrive, we will
15 present evidence supporting our position that 9.1 percent is a
16 fair and reasonable return on equity under current economic
17 circumstances.

18 Public Counsel's proposed adjustments in the areas of
19 cost of equity and capital structure, standing alone by
20 themselves without consideration of other adjustments, when
21 quantified serve to completely eliminate the requested increase
22 of \$205 million. So you can see that this is a big ticket item
23 in the case.

24 The other adjustment I want to address very briefly
25 is depreciation. As the earlier witness mentioned, in terms of

1 utility ratemaking, depreciation is the manner in which the
2 utility recovers its investment in plant over the life of the
3 plant. Each year the utility reports an annual amount of
4 depreciation expense which is recorded then in a reserve
5 account which builds up over time and is designed to enable the
6 company to recover the full cost of the plant by the time the
7 plant is retired, but it's possible for the utility to get
8 ahead of schedule or get behind schedule in terms of the amount
9 of money it's collected at a given point in time. And when
10 that happens, the possibility of what is described as
11 intergenerational inequity arises. If the utility is ahead of
12 schedule, it means, that means that it has collected more money
13 than it needs at a given point in time to be on course for that
14 future retirement. And if it's collected too much money, that
15 means that the current generation of customers is paying too
16 much, and when things are corrected over time, future customers
17 won't pay enough for the use of the plant that gives them
18 service. And the greater the magnitude of that excess or
19 deficiency, the greater the rationale for making some type of
20 midcourse correction. So the magnitude of this discrepancy is
21 very important.

22 What does Progress Energy say about its reserve
23 situation? It says that at this point in time it has collected
24 more than \$500 million in excess of what it needs to be on
25 course.

1 We've engaged a consultant who has analyzed the
2 depreciation study and has concluded that this amount is
3 understated, and, when corrected, the appropriate reserve
4 excess is \$1.2 billion. So you can see the magnitude of the
5 intergenerational inequity that would arise unless corrective
6 action is taken.

7 What does Progress Energy propose to do? Progress
8 Energy says let's just recalibrate our depreciation rates so
9 that between now and 20 years from now we'll get the pot right.

10 We contend when the discrepancy is as great as it is,
11 whether you look at \$.5 billion or \$1.2 billion, more of a
12 corrective action is called for. Our witness will recommend
13 that a substantial portion of reserve excess be returned to
14 customers over the next four years. And I said a portion
15 because we want to take a conservative approach on this so that
16 the corrective action will not impair the company's financial
17 integrity, and so that if things start to turn around, there's
18 no possibility that the company will go negative in the next
19 four years, at which time it will have completed the next
20 depreciation study.

21 Now if our recommendation is accepted and a portion
22 of the reserve excess is factored into the depreciation rates
23 that are to be set in this case, that adjustment standing alone
24 by itself will reduce the company's revenue requirements by
25 more than \$200 million. So then added to the cost of capital

1 issue and when one takes into account the many additional
2 adjustments of a smaller magnitude, we arrived at the
3 conclusion that the Commission should reduce the company's
4 rates by \$360 million per year. And that's not a reduction to
5 its requested increase. That is a reduction from current
6 rates. Thank you for your attention.

7 CHAIRMAN BAEZ: Mr. Wright.

8 MR. WRIGHT: Thank you, Mr. Chairman and
9 Commissioners. With your reprieve, I'll also address the
10 audience directly.

11 Good morning. My name is Schef Wright. I was born
12 in South Florida 55 years ago and have lived all but nine years
13 of my life in this wonderful state. The problem with being in
14 Ocala, a lot of people are like this, I went to undergraduate
15 school right up the road in Gainesville.

16 I have the privilege of being here today representing
17 Florida Retail Federation, which has more than 10,000 members
18 in the state of Florida, including many, in fact, I think all
19 of the state's largest retail chains including Publix,
20 Albertson's, Food Lion, Sweetbay Supermarkets, Kash n' Karry,
21 Target, Wal-Mart, Macy's and The Home Depot, as well as dozens
22 of other large and small retail chains and thousands of
23 mom-and-pop retailers.

24 Our witness's testimony in this case addresses only a
25 limited number of accounting and capital cost issues. Her name

1 is Sheree Brown, and when she testifies to the Commission in
2 September she will advocate reductions that by themselves would
3 reduce Progress's rate increase from \$205 million a year to
4 about \$45 million a year.

5 I will say that the Retail Federation also agrees
6 with what Mr. McGlothlin has told you. There are some big
7 ticket items in this case. When you take into account the
8 rates of return that Progress has been earning and that they
9 are asking you customers to pay, we think that they're asking
10 for an excessive return. They've earned more than 13 percent
11 after tax on investors' equity in each of the last four years.
12 They're asking to be allowed to earn almost that much, 12.8,
13 for the foreseeable future after the PSC sets rates in this
14 case. The current long-term rate on a CD is about 4 percent,
15 4.2 percent. The current long-term rate on a long-term United
16 States Treasury Bond is a little higher than that, maybe 4.5.
17 We just don't believe that with all of the regulatory tools,
18 surcharges, et cetera, available to Progress that they face
19 anything like the risks sufficient to justify a rate of return
20 that's triple the rate on a CD.

21 This case -- when this case is decided in November
22 ultimately after the hearing and the posthearing briefs and all
23 that stuff, when this case is decided, the Public Service
24 Commissioners are going to decide what rates Progress Energy
25 Florida is allowed to charge you, its customers, on a

1 going-forward basis beginning next January. It's not about
2 whether Progress is going to have enough money to make needed
3 investments. They are. All the consumer intervenors in this
4 case advocate that we want them to have enough money. And it's
5 not about whether they're going to be able to keep the lights
6 on if we have hurricanes or not. We want them to have enough
7 money. We have a very serious difference of opinion as to how
8 much money they really need.

9 And Mr. Lyash, in his comments, made a good point:
10 Progress's base rates, base rates, not surcharges but base
11 rates, have declined over the last so many years, ten, 12
12 years, I think. How have they been able to do this? Largely
13 they've been able to do it because their growth has been so
14 tremendous.

15 The real question, folks, is whether their rates have
16 been fair. And we, our side of the case would assert to you
17 that the rates have been too high anyway, as evidenced by the
18 fact that they've been earning extraordinary rates of return on
19 equity after covering all their expenses.

20 I will close briefly. Mr. McGlothlin hit two of the
21 big ticket items: Capital costs and depreciation. We agree
22 with what he had to say and with what the Public Counsel's
23 witnesses have to say.

24 Regarding the storm cost accrual, we want Florida
25 Power -- Progress Energy Florida to be prepared for storms. We

1 just don't think that they need to increase the accrual for
2 storm costs by more than seven times from its present level.
3 We think a more modest increase like two to three times is
4 appropriate, particularly in light of recently enacted
5 legislation through which they can go to the Public Service
6 Commission and seek approval for and probably get approval for
7 reasonable and prudent costs incurred to respond to
8 extraordinary storm events.

9 There are a number of not quite so big ticket items,
10 and those include in Progress's case, we believe and our
11 witnesses testify, that Progress overstated a number of its
12 employees for the rate period beginning next year. That's
13 worth about \$2 million a year. They overstated payroll taxes.
14 That's worth \$6 million a year. They overstated base pay
15 expenses. That's another \$6.5 million a year. We believe
16 based on their track record and what they told the Commission
17 previously they were going to spend versus what they spent over
18 the last three years, we believe they've overstated their
19 distribution liability, an issue that's -- by more than
20 \$10 million a year.

21 You get the picture. They want a big rate increase,
22 \$205 million a year. Our side of the case believes that that
23 increase should be something -- that the rate should not be
24 increased at all but should be decreased by something like \$350
25 million, \$360 million a year. We're more than half a billion

1 dollars apart. To an average residential customer, an average
2 residential customer, the difference is going to be in the
3 range of, we've got some differences of opinion about how the
4 calculations go, but the difference is going to be in the range
5 of \$11 to \$18 a month difference if the Commission votes to
6 implement the rates that our witnesses are advocating as
7 opposed to implementing the rates that Progress is asking them
8 to approve. Thank you very much.

9 CHAIRMAN BAEZ: Thank you, Mr. Wright.

10 Mr. Twomey.

11 MR. TWOMEY: Mr. Chairman, Commissioners, Mike Twomey
12 appearing on behalf of AARP. And, Mr. Chairman, I don't think
13 the utility objects. I'd like to make a verbal petition to
14 intervene, which I'll follow up later in writing, on behalf of
15 Sugarmill Woods Civic Association, which I thought I had
16 intervened on behalf of in this case and apparently had not.
17 But most of us are well aware of their role being interested in
18 these cases and protecting their rights.

19 Ladies and gentlemen, as I said, my name is Mike
20 Twomey. I'm appearing on behalf of AARP Florida, which has
21 approximately 2.7 million members here in the state of Florida.
22 Also on behalf of Sugarmill Woods, which is in Citrus County, a
23 community of about 4,000 home sites, families, about half of
24 which are served by Florida Progress.

25 I want to say at the outset that my clients support

1 the Office of Public Counsel and the Retail Federation. The
2 Office of Public Counsel, Harold McLean is the Public Counsel.
3 Mr. McGlothlin is doing an excellent job in this case. We
4 support without reservation all of their adjustments in this
5 case, which would bring the rates down, not up, as being
6 requested by the company.

7 And you may, sitting in an office, ask yourself how
8 is it possible that after Mr. Lyash tells you that the CPI, the
9 inflation rate and customer prices has gone up 33 percent since
10 1993, how can it be that rates can't necessarily go up? And,
11 in fact, we consumer representatives are asking that they go
12 down substantially. Everything else is going up; right? Well,
13 actually they haven't. Computer prices have gone down, TV
14 screens, TVs, big-screen TVs have gone down because in those
15 cases the inputs, the price inputs, cost inputs have come down.
16 Y'all are aware of that probably from personal experience.

17 Now I'm not going to go through all the other
18 adjustments mentioned by Mr. McGlothlin and Mr. Wright. But
19 the big ticket, the single big ticket item that you have to be
20 aware of that's driving this case, as they told you, is the
21 cost of money, the profit being sought by this company. That's
22 one of the big reasons why the rates have come down since their
23 last full rate case in 1993 is that, while they are entitled to
24 recover from you, its customers, the company is entitled to
25 recover reasonable prudent expenses. That reasonableness

1 extends to the cost of money, too. And as Mr. McGlothlin and
2 Mr. Wright told you, money rates, profit rates, required
3 returns have come down dramatically. The 12.8 percent this
4 company is requesting in this case is outdated by at least a
5 decade. It ought to be closer to the 9.1 percent recommended
6 by the Office of Public Counsel. And, again, as they said, you
7 know from your personal experience whether it's money you earn
8 on a bank account, CDs and that kind of thing, 12.8 percent is
9 excessive by any measure. And the company is not entitled to
10 it. This Commission should not grant it. So the cost of money
11 wipes out the entire rate increase if the Commission sees it as
12 the customer representatives see it.

13 Now the company is here and has reliable service.
14 Mr. Lyash said it's had increased reliability, and AARP and
15 Sugarmill Woods are not taking argument with that. On the
16 other hand, if you've had personal experiences where you have
17 problems with reliability, please get up and tell the
18 Commissioners.

19 So the case is not generally about reliability, it's
20 not about quality of service. All the customers want to see
21 the company with enough money to meet its reliability needs and
22 its storm damage repair needs as well. The issue is about
23 cost. Public Counsel, as they've said, have a number of
24 witnesses, the Retail Federation has a witness, AARP has a
25 witness. All the witnesses have said after examining tens of

1 thousands of pages of evidence the rate should come down.

2 Now the Public Counsel represents everybody in the
3 state, the Retail Federation represents businesses. We would
4 hope and we would think that if you come up and testify as a
5 customer, we would encourage you to speak to reliability. We
6 don't think it's credible, however, for customers of any type
7 to come up and suggest that their rate should be increased. If
8 you're in business, rate increases can't help you. If you're a
9 residential customer, it can't help you, especially if you're
10 with AARP or other retirees living on fixed incomes or if
11 you're low income customers. Rate increases have to come out
12 of some other part of your budget. And not only will these
13 rate increases affect your personal bill, if the increases are
14 granted, they will affect your school boards, your city
15 governments, your county governments and your state governments
16 as well. So it will be a multiplying effect.

17 We appreciate your time here and thank you very much.

18 CHAIRMAN BAEZ: Thank you, Mr. Twomey.

19 Ladies and gentlemen, at this point we're going to
20 begin taking public testimony. Will all those of you that
21 signed up outside to speak today stand up and raise your right
22 hand.

23 (Witnesses collectively sworn.)

24 CHAIRMAN BAEZ: Mr. McGlothlin is going to handle the
25 witnesses today. And, Mr. McGlothlin, you may call your first

1 witness.

2 MR. McGLOTHLIN: The first name I have is Bob
3 Freeman.

4 ROBERT H. FREEMAN

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

7 DIRECT STATEMENT

8 MR. McGLOTHLIN: Mr. Freeman, if you'll state your
9 name and address and then proceed to tell the Commissioners
10 what you have to say.

11 MR. FREEMAN: Robert H. Freeman, Winter Garden,
12 Florida. I've been in east Winter Garden all my life, operated
13 a harvesting business for over 50 years.

14 Mr. Chairman, members, delighted to be before you
15 today. I just would like to say to you, I can't quote figures
16 to you, but I do buy half my energy from Sumpter Electric, I
17 buy half of it from Progress Energy.

18 I, I give you a written comment. I've enjoyed five
19 straight years of rate reduction with Sumpter Electric, and you
20 can see that those rate reductions net me \$500 of money at the
21 end of the year. Now Progress Energy's rate is already higher
22 than Sumpter, and that's the reason that I stand before you
23 today.

24 Progress has a high rate, and they have just received
25 a rate increase on fuel costs, which I certainly agree to. I'm

1 a trucker. My diesel cost is up over \$1,000 a week. So they
2 have to have fuel increased cost. The cost of hurricane
3 damages, they have to be refunded there.

4 But I ask you to look at my third page. I warehouse
5 oranges in coolers in the summer months. The power went off at
6 Hanes City Citrus Growers and I had to bring in a great big,
7 huge generator and it cost me \$30,000. Nobody refunded me that
8 kind of money for power being off.

9 I would just like to say in the past three years I
10 have noted in west Orange County and south Lake County that
11 Progress has spent an enormous amount of money trimming the
12 power lines, they have removed tons of debris, which will
13 certainly make the lines more reliable if we do have a
14 hurricane return. At the same time they have replaced a number
15 of bad poles. I can't quote you figures or percentages, but
16 yet my observation has been the lines are much more reliable
17 today, the old 40-, 50-year-old distribution lines, than what
18 they were when Progress company was formed.

19 Progress Energy in my opinion inherited an enormous
20 management overhead cost. I know that they have worked to
21 streamline this some, but they may have a whole lot more work
22 yet to do.

23 Now as an individual dealing with power, I have more
24 phone numbers on Progress Energy than any other company in
25 Florida, some 20 or 25, and in contrast to Sumpter Electric I

1 have two. Now which way do I get something done quicker and
2 more efficient? I'll say when you've got two numbers and two
3 people to deal with, it's so much better than trying to work
4 through a mass of people of some 20 or 25.

5 I have written a number of letters to Florida Power
6 and Progress Energy over the years. I seldom ever get -- I
7 never get a written reply. I always get a phone reply by
8 someone else that, "Mr. Freeman, your letter will be taken into
9 consideration." I have never, ever received a letter from
10 Progress Energy on their letterhead, and yet Jim Duncan and I
11 over at Sumpter Electric talk one on one and write each other
12 one on one.

13 I have two small pictures I want to leave with you
14 today, and they just simply show the old Florida palm and ear
15 tree. Why am I concerned about ear trees? On Cemetery Road in
16 west Orange County I observed four trucks, eight men and a
17 supervisor take one -- take four days to change a pole out.
18 Now the reason it took that long was because the ear tree was
19 allowed to grow. Now that picture I gave you was, was a
20 distribution line into where I live, and the residents removed
21 the ear tree, not Sumpter -- not Progress Energy.

22 I, I just urge you to very carefully consider this
23 action. There's an awful lot that can be stated in
24 depreciation. I won't begin to get into numbers, but I urge
25 you to very carefully look at numbers.

1 I just want to take one second and simply say to you
2 that I have enjoyed eight years of solar hot water. I feel
3 that this state has got to grow this end of power. I just
4 wanted to just say that I am a very happy customer with the
5 solar hot water heater. I feel there should be a million units
6 in Florida. Thank you very much.

7 CHAIRMAN BAEZ: Questions of Mr. Freeman? Thank you,
8 sir.

9 MR. MCGLOTHLIN: The next witness is Kathryn
10 McGinnis.

11 KATHRYN MCGINNIS

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

14 DIRECT STATEMENT

15 MR. MCGLOTHLIN: Please state your name and address,
16 ma'am.

17 MS. MCGINNIS: I'm Kate McGinnis. I live in Old Town
18 and I work in Dixie County at Cross City at Dixie District
19 Schools. I'm here today to talk to you about the community
20 services that Progress Energy has offered our county. We're a
21 small rural county, but Progress Energy has been there for our
22 county offering scholarships for our high school students,
23 participating in academic awards programs, our athletic fields,
24 Dixie education grants for low-performing students, working
25 with our Dixie Booster Club and also teacher grants for our

1 teachers.

2 Just recently, a few weeks ago an auto accident
3 knocked out lights. They called the city and county offices to
4 report the power would be out for two hours. Instead, the
5 power was out only 30 minutes.

6 Do I want an increase? No. But also I want to say
7 this: I realize that in order to have reliable service and
8 enough electricity, it is going to cost, and with this storm
9 damage that we're having now. But I want to say I am pleased
10 in the working relationship that we do have with Progress
11 Energy.

12 CHAIRMAN BAEZ: Questions? Thank you, ma'am.

13 MR. McGLOTHLIN: The next witness is Jim Houtz.

14 MR. HOUTZ: Mr. Chairman, Commissioners, I wish to
15 waive my right to speak at this hearing.

16 CHAIRMAN BAEZ: Very well, sir. Thank you.

17 MR. McGLOTHLIN: Nathaniel Willis.

18 NATHANIEL WILLIS

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

21 DIRECT STATEMENT

22 MR. McGLOTHLIN: If you'll begin with your name and
23 address, sir, and then tell the Commissioners what you'd like
24 to say.

25 MR. WILLIS: My name is Nathaniel Willis. I'm from

1 Gainesville, Florida. I'm an Executive Council Member for
2 AARP, and a couple of comments I'd like to make on behalf of
3 AARP.

4 AARP is seeking just, reasonable and affordable
5 electricity rates for Florida consumers. AARP wants to ensure
6 that energy services are readily available at prices that are
7 just, reasonable and affordable. The Public Service Commission
8 should pare down this base rate request by Progress Energy. If
9 allowed, the proposed electric rate increase, in addition to
10 the \$3.33 hurricane rate increase already approved, could
11 mean \$7.11 a month increase in residential bills. Granting
12 Progress this request on top of the storm recovery surcharge of
13 \$231.8 million is excessive. Both Progress Energy's requests
14 together would amount to almost a half a billion dollars. The
15 consumer takes all of the financial responsibility for the
16 company getting hit with a double whammy. This is not good for
17 the consumers. The request could require utility customers to
18 bear all of the costs incurred by the utility during the 2004
19 storms as well as the additional base costs, which maintain
20 excessive profits for the company and for the shareholders.

21 AARP believes that this is not only excessive, but
22 outrageous and unfair. In this case alone, Progress Energy
23 wants to increase the storm reserve funds through the base rate
24 increase by \$44 million to a total of \$50 million per year.
25 AARP seeks just, reasonable and affordable electricity rates

1 for Florida consumers. Thank you.

2 CHAIRMAN BAEZ: Questions of Mr. Willis? Thank you,
3 sir.

4 MR. MCGLOTHLIN: Robert E. Wright.

5 ROBERT E. WRIGHT

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

8 DIRECT STATEMENT

9 MR. WRIGHT: You're getting double barrel from the
10 AARP.

11 MR. MCGLOTHLIN: If you'll begin with your name and
12 address, please, sir.

13 MR. WRIGHT: My name is Robert E. Wright. I live in
14 Top of the World near Ocala.

15 Mr. Chairman, ladies and gentlemen and Commissioners,
16 I'm Chapter Activity Coordinator for AARP, three counties here
17 in the Marion County and Levy, Ocala area. I've been with AARP
18 14 years as a volunteer.

19 As a Chapter Activity Coordinator and Past President
20 I have a handle on how the seniors, the older people are being
21 stressed out. I missed adding something -- about two years ago
22 we got hit with a telephone increase, this is not in your area,
23 but a telephone increase which put more burden of \$3, \$4, \$6
24 on people, and now we're expected to have more money put on the
25 older people, some on fixed incomes, social security to make

1 them stressed out more as to how they pay their bills.

2 I agree with AARP's position that Floridians should
3 be able to expect reasonable and fair electricity rates. The
4 suppliers of electricity should have a fair return on their
5 investment, not an overreturn on their investment. Let them
6 use efficient, efficient and effective methods of operation.
7 I'm a former utility executive, so I know a little bit about
8 it.

9 Floridians were hit hard by last year's storms. Many
10 people had losses and unexpected expenses, and people living on
11 fixed incomes were especially hurt by the added cost of
12 recovery. To add excessive utility bills would create a
13 horrible burden for many. I just indicated that. Adding \$3,
14 \$4, \$5 to their bill will make them really stressed out as to
15 how they can pay it.

16 I want to mention that if you go down I-57, and I'm
17 sure you have, down about Punta Gorda and Port Charlotte, if
18 you look on the east side at all those manufactured homes,
19 people are still living in there who have lost everything. And
20 how are they going to be able to come back and try to
21 reestablish themselves into society, have a home and then be
22 hit with increases such as this?

23 So we imagine if it's 98 degrees and people will
24 wonder, the older people, the older widows or the older
25 gentlemen who are on fixed incomes, "Should I turn my air

1 conditioner off to save a little money?" And we've heard
2 horror stories of women and men, I've seen it, who say, "Should
3 I buy food or medicine? How can I afford both?" So these
4 small amounts of money, \$3, \$4, \$6, mean a lot and establishes
5 a hardship on many of them.

6 If Progress Energy is allowed the proposed rate
7 increase, older consumers will be hit hard and that's what I'm
8 indicating. We believe it's too much to ask the citizens of
9 our area to shoulder the entire burden of Progress Energy's
10 storm recovery cost. They should have contingency plans built
11 into that, money allotted for that. It's not fair and the cost
12 is too high. Many of us have already paid dearly for our last
13 season's destructive hurricanes.

14 Last June the PSC approved \$219,000,000 for Progress
15 to help recoup last year's costs for hurricane damage, and that
16 was the right thing to do. But don't tack it on to the people
17 with fixed incomes and cannot afford it. So Progress should
18 live with that. We should not have to pay double. Thank you
19 very much. Any questions?

20 CHAIRMAN BAEZ: Questions of Mr. Wright? Thank you,
21 sir.

22 MR. WRIGHT: Thank you.

23 MR. MCGLOTHLIN: Bryan Stone.

24 BRYAN STONE

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. STONE: My name is Bryan Stone. I'm here
4 representing PCS Phosphate in White Springs, Florida. I
5 appreciate the opportunity to address you today as an
6 industrial customer.

7 Progress Energy Florida's high existing rates and now
8 the requested \$200 million rate increase endanger our ability
9 to compete in our international markets. We've intervened in
10 this case and submitted written testimony from several expert
11 witnesses. I'd like to highlight a few points from their
12 testimony.

13 First, Progress's rates are among the highest in the
14 Southeastern United States. Their after-tax returns on their
15 equity investments have been in the 13 to 15 percent range for
16 the last several years. These very high returns were received
17 despite the fact that they are a monopoly. They have no real
18 competitive pressures to worry about, unlike many other
19 businesses in Florida. And it's a good thing because, as I
20 said before, they have among the highest rates in the Southeast
21 United States. Not only do they not have to worry about the
22 risk of competition, they also do not have to worry about the
23 risk of the following: Fuel price increases, environmental
24 pollution controls and evidently hurricanes, since they just
25 received approval for most of the hurricane costs that they

1 asked for from last year.

2 Who does bear the risk of rising fuel costs,
3 environmental controls and hurricanes? We do, their customers.
4 Despite us bearing these risks, we've been paying Progress very
5 high after-tax returns on their equity.

6 Now not only are we being asked to pay even higher
7 rates and continue bearing significant risks, but Progress
8 Energy, Progress Energy's filing also proposes specific
9 measures that are particularly harmful to industrial customers.
10 Their proposed cost allocation methods and the elimination of
11 the IS-1 tariff would magnify the negative impact on
12 interruptible customers. In fact, our expert witnesses have
13 submitted written testimony showing that Progress Energy should
14 have, instead of a \$200 million rate increase, a significant
15 rate decrease.

16 On behalf of PCS Phosphate and more than 900 people
17 that we employ in northern and rural Florida, we ask the
18 Commission to carefully consider our submitted testimony, as
19 well as the testimony of the other intervenors in this case
20 before rendering your decision.

21 Thank you again for the opportunity to share our deep
22 concerns about this matter.

23 CHAIRMAN BAEZ: Thank you, Mr. Stone. No questions?

24 Mr. McGlothlin.

25 MR. MCGLOTHLIN: James A. Surrency.

1 If you'll state your name and address, sir.

2 JAMES A. SURRENCY

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

5 DIRECT STATEMENT

6 MR. SURRENCY: I'm from Trenton, Florida, which is in
7 Gilchrist County, a small rural county just a few miles from
8 here. And I'm here to speak in support of Progress Energy for
9 our community. Progress Energy, and it's already been stated,
10 I think, through the support in the storms that we all went
11 through in this past, past year, and I think some of the
12 experiences particularly -- probably the most humbling
13 experience that I had was working in our local Emergency
14 Management Operation Center. And going through those times
15 that we were all unsure about what kind of impact and effects
16 the storms would have, one of the most amazing things was the
17 support that Progress Energy provided. We had a person there
18 that spoke with us on a daily basis, communicated with us on
19 issues relating to their handling of the storms, and I think my
20 first experience of being in a situation like that, as many
21 others and probably all of us, in dealing with the anxiety of
22 not knowing what to do in a lot of cases like this. And,
23 again, having someone there that has been a part of our
24 community, and they have been, and a very big partner and
25 player in our community, and certainly being there to answer

1 questions and helping us to, to understand some of the issues
2 that we were all facing with trying to provide services to our
3 community, Progress Energy was there. And I think probably
4 more than anything else that helped us deal with some of the,
5 the issues that we had to deal with as a community.

6 And certainly -- and I don't know all of the facts
7 and figures and other things that were being addressed, and a
8 lot of those, I'm sure, are much larger and deeper than what
9 we've seen in our community, but we have seen tremendous
10 support, we have seen a partner that's been a part and a major
11 player in helping our community, not just during the storms of
12 2004 but on a regular basis being there to answer questions and
13 to serve our community and to be a part of helping us deal with
14 just day-to-day issues and not just recovery from storms. So
15 thank you.

16 CHAIRMAN BAEZ: Questions of Mr. Surrency? Thank
17 you, sir.

18 MR. SURRENCY: Thank you.

19 MR. MCGLOTHLIN: Charles Howard.

20 CHARLES HOWARD

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

23 DIRECT STATEMENT

24 MR. HOWARD: My name is Charles Howard. I'm the
25 Utilities Operations Manager for Marion County Utilities. I

1 came here not to discuss any financial aspect because I'm not
2 qualified, and the Public Counsel already said they've got
3 experts to look over those issues, but from a reliability
4 standpoint.

5 Since I've been with the county, and that's going on
6 about a little bit over six years now, one of the utilities
7 that we purchase power from is Progress Energy. We also have
8 Clay, Ocala Electric, and SECO. Florida -- I'm sorry.
9 Progress Energy has worked with us very well in the past. You
10 know, we went through a lot of storms last year. It was a
11 learning curve for all of us. We found some chinks in our
12 armor as far as giving the best level of service. Also,
13 Progress Energy did, they worked in the EOC with us, and we
14 were in contact from the, the special operations center for the
15 utilities. They were very responsive to us as we had issues.
16 With our water and wastewater utilities, when we lose service
17 there's a public health issue. You know, sewers back up into
18 homes, people with home kidney dialysis machines lose service
19 to their machines that are life issues.

20 When -- before the storms hit last year, we had
21 worked with Progress Energy, you know, trying to improve our
22 interaction. During the storms -- and we had that learning
23 curve. We got better. Each storm event we were able to
24 increase the level of communication to have better interaction,
25 have better service through them. After the storm events they

1 started putting together a comprehensive storm plan. They
2 asked us for input. They came down, they asked us to identify
3 all of our critical facilities. We did so. They've included
4 them in the plan. And, you know, we've all been challenged by
5 this. We feel that we met the challenge. We feel that they
6 have met the challenge for us. And, you know, we hope to
7 continue to improve, as I'm sure they do also. And that's
8 about all I have to really say. Any questions of me?

9 CHAIRMAN BAEZ: Questions of Mr. Howard?

10 Mr. Twomey.

11 MR. TWOMEY: Yes, sir, Mr. Chairman, just briefly.

12 CROSS EXAMINATION

13 BY MR. TWOMEY:

14 Q Mr. Howard, I know you didn't address rates, but if
15 you know, isn't it true that the rates you purchase wholesale
16 power from Progress Energy are set by the federal government?
17 Do you know?

18 A I, I really don't know that. I only know about our
19 rates, how we do them. I -- that would be through our
20 purchasing department. You know, they handle all that.

21 As far as rates, you know, I really don't want to
22 address it. As a homeowner I am a Progress Energy customer. I
23 don't want to see rates go up anymore than anyone else, but I
24 also want to keep the level of service that I've become used
25 to. And if I have to pay a little more, then I have to pay a

1 little bit more.

2 As someone working with utilities, I also want that
3 level of service because that affects me and it affects the
4 people that I have to answer to, which are my customers.
5 Therefore, if I can be assured that level of service, you know,
6 I have to pay whatever the going rate is.

7 I -- but once again, that would be something that our
8 purchasing department and finance department would be handling
9 more than I. I just came to speak on the reliability of
10 service.

11 MR. TWOMEY: Fair enough. Thank you.

12 MR. HOWARD: Anything else?

13 CHAIRMAN BAEZ: Thank you, sir.

14 Mr. McGlothlin.

15 MR. MCGLOTHLIN: Mr. Howard was the last witness on
16 the list provided to me.

17 CHAIRMAN BAEZ: Is there anyone who came, got here a
18 little late, didn't get a chance to sign in and wishes to
19 address the Commission this morning or this afternoon?

20 Raise your right hand, sir.

21 MR. CHRISTENSEN: I stood when you asked.

22 CHAIRMAN BAEZ: That's good enough for me.

23 MR. CHRISTENSEN: So I'm in good shape, Mr. Chairman.

24 CHAIRMAN BAEZ: I don't like doing it twice.

25 BRENT CHRISTENSEN

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

3 DIRECT STATEMENT

4 MR. CHRISTENSEN: My name is Brent Christensen. I'm
5 President and CEO of the Gainesville Area Chamber of Commerce
6 and also our economic development entity, which is the Council
7 for Economic Outreach. And what I didn't want you all to leave
8 without hearing this morning is probably another aspect of
9 Progress Energy's efforts in the state of Florida, and that's
10 in the economic development arena.

11 As you all probably know and can probably guess, the
12 main components of economic development locally, the way we're
13 measured in terms of success is adding jobs to a community and
14 adding investment, and really in the end adding to the quality
15 of life of a community. A person who gets a higher paying job,
16 a higher skilled job is going to enjoy more quality of life, a
17 better quality of life. A community that gets more capital
18 investment in it with a new industry, a new business is going
19 to get more tax revenue and be able to afford more things and
20 be able to provide a higher quality of life to its citizenry.

21 Typically in our area of Florida, in North Central
22 Florida, smaller municipalities, smaller communities have
23 limited economic development budgets. That is the case in
24 Gainesville, and we are the primary economic development
25 organization for all of Alachua County as well. So we rely on

1 partners really to kind of multiply our efforts in the economic
2 development arena. And I can tell you without hesitation that
3 Progress Energy is one of our strongest partners in terms of
4 economic development. The three-legged stool of economic
5 development is expanding the businesses, expanding the
6 industries that you have locally, growing your own, and then
7 attracting businesses as well. We have components and
8 strategies for each one of those within Gainesville and Alachua
9 County, and I can tell you Progress Energy is involved in those
10 strategies as well, both in terms of financial support, also in
11 terms of manpower support. We have a team here in this region
12 that services us as well as a team of economic development
13 staff that serves us from the home office for Progress Energy
14 Florida in St. Petersburg. And we're proud to call them
15 friends, we're proud to call them partners. And, again, they
16 multiply our efforts and help add to the quality of life in
17 this region. And I hope that you all consider that as you go
18 forward as well.

19 CHAIRMAN BAEZ: Questions of Mr. Christensen? No
20 questions. Thank you, sir.

21 Is there anyone else that would like to address the
22 Commission? Just hold up. Did you, did you swear in, sir?

23 MR. SCOTT: I did.

24 CHAIRMAN BAEZ: You did? Okay.

25 RICHARD SCOTT

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

3 DIRECT STATEMENT

4 MR. SCOTT: My name is Richard Scott, and I am with
5 Lake Sumter Community College with campuses in Leesburg,
6 Clermont and Sumterville.

7 First of all, I'd like to thank the Commission for
8 allowing us to come and comment and for listening to us. We
9 are not interested in any rate increase, I don't think really
10 anyone is, but we're also not experts in utility rates. And I
11 came here to listen and to learn a little bit about this
12 situation because we have service at our three campuses from
13 three different utility companies. And I can tell you that our
14 rates with Progress Energy are within two-tenths of the lowest
15 rates that we have among those three companies. And so we're
16 interested in how this would be a competitive rate increase and
17 how it would, how it would play out.

18 We are here to say also that we've received excellent
19 service from Progress Energy, especially during the storms, and
20 have -- they are very responsive to our needs.

21 Going back to my original comment, which is that
22 there are experts in this field. We know that you are
23 challenged with an unenviable task. We can say that we're not
24 interested in paying more money, but we also are interested in
25 people being at our door when the time is right to make sure

1 that we have utilities and service that we have come to enjoy.
2 So good luck with that process, and thank you again for
3 allowing us to come.

4 CHAIRMAN BAEZ: Questions of Mr. Scott? Thank you,
5 sir.

6 There was one other person? Mr. McGlothlin?

7 MR. MCGLOTHLIN: Those are all the witnesses on the
8 list.

9 CHAIRMAN BAEZ: Those are all? Okay. Very well.

10 Again, is there anyone else that didn't get to sign
11 in that still would like to address the Commission?

12 Very well. I want to thank all of you for coming out
13 this morning. I know it's a busy kind of middle of the day,
14 but we really do appreciate your comments and we will consider
15 them as we go forward.

16 The next service hearing is tonight in St.
17 Petersburg. No. Tomorrow morning in St. Petersburg. I'm
18 sorry.

19 We're adjourned.

20 (Service hearing adjourned at 12:07 p.m.)

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

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4 I, LINDA BOLES, RPR, CRR, Official Commission
Reporter, do hereby certify that the foregoing proceeding was
5 heard at the time and place herein stated.

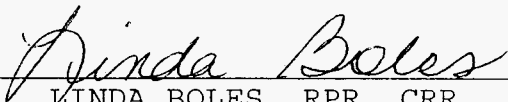
6 IT IS FURTHER CERTIFIED that I stenographically
reported the said proceedings; that the same has been
7 transcribed under my direct supervision; and that this
transcript constitutes a true transcription of my notes of said
8 proceedings.

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

12 DATED THIS 27TH DAY OF JULY, 2005.

13

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LINDA BOLES, RPR, CRR
FPSC Official Commission Reporter
(850) 413-6734

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