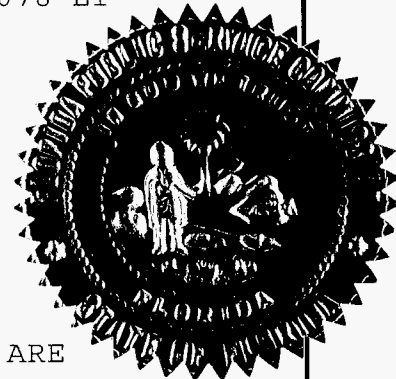


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 050078-EI

In the Matter of

PETITION FOR RATE INCREASE BY
PROGRESS ENERGY FLORIDA, INC.



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PROCEEDINGS: CLEARWATER SERVICE HEARING

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

DATE: Thursday, July 21, 2005

TIME: Commenced at 6:05 p.m.
Concluded at 7:30 p.m.

PLACE: Commissioners Assembly Room
Pinellas County Board of Commissioners
315 Court Street, 5th Floor
Clearwater, Florida

REPORTED BY: LINDA BOLES, RPR, CRR
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4 and Sugarmill Woods Civic Association.

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1 I N D E X

2 PRESENTATIONS:

3	JAMES McGEE	7
	BILL HABERMEYER	8
4	JOSEPH McGLOTHLIN	13
	SCHEFFEL WRIGHT	18
5	MIKE TWOMEY	22

6 WITNESSES

7 NAME: PAGE NO.

8 CLYDE SIMPSON

9 Direct Statement 28

10 JOSHUA MAGIDSON

11 Direct Statement 31

12 KATHY RABON

13 Direct Statement 32

14 ROBERT FREEDMAN

15 Direct Statement 34

16 BETH COLEMAN

17 Direct Statement 36

18 HENRY WICHMANOWSKI

19 Direct Statement 37

20 ROCCO CAPABANCO

21 Direct Statement 39

22 KATIE COLE

23 Direct Statement 42

24 KATHLEEN SIMON

25 Direct Statement 43

	WITNESSES	
	NAME:	PAGE NO.
1		
2		
3	LIL CROMER	
4	Direct Statement	45
5	DOREEN MOORE	
6	Direct Statement	46
7	ARLENE WICK	
8	Direct Statement	48
9	LIZ PHILLIPS	
10	Direct Statement	51
11	JERRY SAMBERG	
12	Direct Statement	52
13	DEBBIE WHITE	
14	Direct Statement	54
15	CRAIG SHER	
16	Direct Statement	55
17	KAREN WILLIAMS SEEL	
18	Direct Statement	59
19		
20		
21		
22	CERTIFICATE OF REPORTER	62
23		
24		
25		

P R O C E E D I N G S

1
2 CHAIRMAN BAEZ: Good evening everyone. We'll call
3 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 rate increase by Progress Energy
8 Florida.

9 CHAIRMAN BAEZ: Good evening again. My name is
10 Braulio Baez. I'm the Chairman of the Public Service
11 Commission. With me today to my left is Commissioner Rudy
12 Bradley; to my right, Commissioner Terry Deason.

13 I want to welcome you all and thank you for taking
14 time out of your, what has to be dinnertime by now to come out
15 and see us and to give us your public input.

16 As you well know, we are here considering or taking
17 customer testimony on the rate increase proposal filed with the
18 Commission by Progress Energy. And this is one of the -- I
19 guess this is the last service hearing out of three that we've
20 had in the service territory. I misspeak. There is one last
21 one in Tallahassee tied to the technical hearing. But, anyway,
22 this is the third in our tour down this, this part of the
23 state. And it is an important part of our consideration
24 process because it's the only time, practical time really that
25 we get to hear from you, the customer. So I thank you again

1 for coming out.

2 Briefly, some ground rules for the hearing. This
3 is, this is part of the official hearing process. So those of
4 you that did sign up to speak or wish to speak today before the
5 Commission will be sworn in as witnesses, and the Commissioners
6 or some of the attorneys that are here you'll hear from briefly
7 may have a question or two.

8 In terms of signing in, if you walked in -- as you
9 were walking in, you should have noticed a table that contains
10 or that had brochures with information on it and a PSC staffer
11 outside. That's where you should go to sign in, if you haven't
12 done so already, and let us know that you do wish to speak
13 publicly. And that'll keep an orderly process and we'll
14 know -- Mr. McGlothlin from Public Counsel's office will know
15 to call your name.

16 First, we're going to be hearing from the parties.
17 The company has a brief presentation to those of us here, and
18 we will also be hearing from some of the intervenors here,
19 specifically Mr. McGlothlin with the Office of Public Counsel.
20 And we have, at least by my count, two other intervenors here
21 that will be giving brief comments as well, give you their,
22 their perspective on the case before we swear in the witnesses
23 and we take the public testimony.

24 You should have noticed -- you may have picked up a
25 blue Public Service Commission Special Report. It contains

1 summaries of the details of Progress Energy's proposal. It's
2 got a lot of useful information that may help you organize your
3 thoughts on the matter. It also -- at the end on the last page
4 it also has a space for written comments. So those of you
5 that, that maybe don't wish to, to give public testimony can
6 still make your thoughts and impressions on the proposal known
7 to the Commission in writing. There are several ways of
8 getting that done. You can write them up now and leave them
9 with one of our staff members outside, you can fold it up and
10 mail it to the Commission. It is already preaddressed. You
11 can log on to our website at Florida PSC.com, Florida PSC.com,
12 I rarely get it right, and you can enter it electronically by
13 email. So there are several ways if you don't wish to address
14 us today, several ways you can still make your thoughts and
15 impressions known, and they'll become part of the
16 correspondence side of the docket file and available to the
17 Commissioners for their consideration.

18 That said, I think we can hear from Mr. McGee of
19 Progress Energy, who has some brief statements.

20 MR. MCGEE: Thank you, Mr. Chairman, Commissioners.
21 My name is Jim McGee. I'm representing Progress Energy
22 Florida. My role tonight is simply to induce Bill Habermeyer.
23 Mr. Habermeyer is Progress Energy Florida's President, CEO, and
24 he will have some brief comments to make to the Commission
25 before we take public testimony. Thank you. Mr. Habermeyer.

1 CHAIRMAN BAEZ: Mr. Habermeyer, if you want to
2 address the audience, we don't have a problem with you giving
3 us your back. That's quite all right.

4 MR. HABERMEYER: Thank you, Mr. Chairman.

5 Commission, I apologize for my back being turned to
6 you. Members of the public and customers, I'm Bill Habermeyer,
7 President and CEO of Progress Energy Florida. And in order to
8 keep my comments brief, you heard my formal presentation, I'll
9 abbreviate some of my comments today.

10 But I discussed earlier today our Commitment to
11 Excellence, the program that we put in place to bring to our
12 customers a commitment for reliability improvement, customer
13 service improvement and, in fact, price reduction. We, as a
14 company, have not had a price increase in our base rate and
15 that's what we're talking about, base rate, since 1993. That's
16 a period of 12 years without a base rate increase. Not many
17 companies or not many industries can say that, that they've
18 gone 12 years without a price increase in their base rate.

19 In that time our population has grown by 30 percent.
20 We've added 350,000 new customers. And in that period of time
21 we've added 2,300 megawatts of new service. We've added new
22 transmission lines, we've added new generation, we've added new
23 distribution, we've modernized our system, we've added
24 technology that have enabled us to do more with less, and we
25 have trained our employees, broadened their job skills to

1 enable them to do more for our customers.

2 In the three years since we initiated the Commitment
3 to Excellence our reliability has improved, our customer
4 service has improved, as evidenced by what our customers are
5 telling us, and we've returned almost half a billion dollars to
6 our customers in terms of rate rebates and rate reductions. As
7 we look ahead, we see that we won't be able to continue to do
8 that without a rate increase, which is why we have applied
9 through the Public Service Commission for an increase.

10 In the 12-year period that I've described, gasoline
11 has gone from \$1.11 a gallon -- this morning I noticed it
12 was \$2.27 a gallon, more than 100 percent increase. Bread has
13 increased more than 31 percent. And, in fact, the Consumer
14 Price Index for that 12-year period has increased 33 percent.
15 During the same period, our commodity, our base rate, has
16 reduced by 9 percent. If the Commission would grant the
17 request that we have submitted, we would just about return to
18 our 1993 levels in 2006, which would mean that our base rate
19 would have been flat throughout that entire period.

20 As we look ahead, we see that we'll have to add in
21 the next ten years about 3,000 megawatts of generation. That
22 equates to about \$10 billion. \$10 billion for generation, for
23 new transmission, for new distribution to serve the customer
24 growth that we know is coming. I mean, as I drove to
25 Clearwater tonight, most of you, you could see the growth that

1 is coming not just to Florida, but specifically to this area in
2 your county as well. That increase is going to have to be paid
3 through acquisition of capital -- that is our investors -- to
4 provide the capital to make that investment. In order to make
5 that investment, they have to be assured that we are a strong,
6 secure company. No one likes price increases; there's no
7 question about it. We would rather prices never increase. And
8 for 12 years we've been able to do that. But we are at the
9 point now where in order to meet that growing demand and that
10 growing need we are going to have to increase prices.

11 There are some suggestions that you will hear about
12 creative ways to avoid that, and I wish we could. I wish there
13 was some creative way that we could avoid a price increase, but
14 these are not workable solutions. It's going to take money to
15 build new power plants, it's going to take money to build new
16 generation, transmission, distribution. And that's why we've
17 come to the Public Service Commission and to our customers to
18 make that request.

19 There are some things that we can do. We can do some
20 things in the long-term such as explore alternative energies,
21 which we are doing. We're looking at hydrogen, we're looking
22 at solar, we're looking at fuel cells as long-term potentials,
23 but these are not potentials for the next five years. There
24 are some things we can do in the midterm. We can look at
25 changing our fuel mix, going more to fuels that enable us to

1 charge less for the customer. Today nuclear is our cheapest
2 fuel, and we do have nuclear in our inventory, which allows us
3 to use a diversified fuel mix to keep the price down to the
4 customer. We can look at going to such things as coal
5 gasification, clean coal technologies. But, again, these are
6 not short-term solutions. These are what I would consider to
7 be midterm solutions.

8 There are some things we can do in the short-term. I
9 mean, we can continue to improve our own efficiency, which we
10 propose to do. We are not satisfied stopping where we are in
11 the commitment to excellence. We want to continue to improve
12 and provide reliability, customer service and meet the
13 expectations that our customers have.

14 And there is conservation, and we certainly do
15 support more conservation by our customers: Our energy audits,
16 our demand-side management programs. That program alone,
17 demand-side management for residential customers, has enabled
18 us to avoid purchases of 17 peaking plants. It's provided the
19 equivalent of three years of energy to the city of St.
20 Petersburg just by utilizing demand-side management that is
21 reducing specific appliances a customer has used during peak
22 periods of time. But we do support conservation.

23 There are two very complex issues that you're going
24 to hear about. One is the issue of rate of return and that it
25 is a simple matter of simply cutting the rate of return in

1 order to get price down. Our rate of return to our
2 shareholders today is a fair rate of return. It's fair by
3 comparison with our sister utilities. It's also a rate of
4 return that involves risk, risk by the shareholders, risk by
5 the company. If there were no risk and there were a fair rate
6 of return, people would be buying our stock instead of treasury
7 bills. But we need to be a strong company. We need to have a
8 strong framework of capital in order to continue to meet those
9 needs, which is why we've asked for the rate of return that
10 we've suggested.

11 The other issue is depreciation. I wish there were a
12 strongbox with the money in it that is represented by a
13 depreciation reserve, but there isn't. It's an accounting
14 notation, and it's an accounting notation that's driven by the
15 right behavior. We extended the life of our Crystal River
16 nuclear plant from 40 years to 60 years. That creates a
17 surplus in the depreciation reserve. It's the right thing to
18 do. It's the cheapest fuel we have. It's extending the life
19 of an asset that is providing lower rates to our customers. It
20 is by far the most economical thing we can do. If we weren't
21 incented by depreciation, we would simply shut the plant down,
22 build a new plant. Why not earn on a brand new nuclear plant?
23 But we did the right thing.

24 As I say, I wish there were some creative way we
25 could do this and reduce rates. There simply is not. And it's

1 why we've come forward today with this request.

2 I thank you for your attention, I look forward to
3 hearing from you and good luck.

4 CHAIRMAN BAEZ: Thank you, Mr. Habermeyer.

5 Mr. McGlothlin.

6 MR. MCGLOTHLIN: If everyone can see and hear me,
7 I'll speak from where I am. My name is Joe McGlothlin. I'm
8 with the Florida Office of Public Counsel.

9 The Office of Public Counsel is not part of the
10 Public Service Commission. The Legislature established our
11 office to intervene in PSC dockets and participate as parties
12 in the proceedings that the Commission conducts. We intervene
13 to represent the customers' interests in those proceedings.

14 Our office has intervened in Progress Energy's rate
15 base docket, and with the help of consultants we've analyzed
16 that case and we take a very different view as to the merits of
17 Progress Energy's filing.

18 My purpose today is not to try to make our case to
19 the Commission, that's going to happen in September, but this
20 hearing is for the benefit of the customers who have some
21 comments about service and some opinions about the rate case.
22 My objective this evening is to give you a very compressed
23 version of the types of arguments that we will make when the
24 Commission takes technical evidence in September.

25 Our consultants have recommended numerous

1 adjustments, large and small. Collectively they add up to this
2 position: We contend that not only, not only does Progress
3 Energy not need an increase in rates, its current rates are too
4 high by \$360 million per year. Now since the company has asked
5 for an increase of \$205 million, it's fair to ask how can, how
6 can one explain a difference that wide? Well, the two issues
7 that Mr. Habermeyer mentioned and that I will address account
8 for much of that, of that spread, of that difference. And
9 obviously the reason why he mentioned those two and why I'm
10 going to address them is because in terms of magnitude they
11 cover more dollars than do some of the other issues.

12 I want to start with the cost of capital. There's no
13 dispute on the point that the utility's investors are entitled
14 to a fair and reasonable return on their investment. The
15 question is under current economic conditions what is fair and
16 reasonable?

17 Progress Energy asked the Commission to authorize
18 their return on equity of 12.8 percent, and when the Commission
19 considers that request, we will ask them to take stock of the
20 current economic environment. And, as I said earlier today,
21 one doesn't have to be an expert and one doesn't have to spend
22 an hour reading through technical testimony to understand the
23 basics about current economic environment. Fixed rate
24 mortgages are less than 6 percent. If you've heard, if you've
25 turned on the TV and followed economic programs, you've heard

1 analysts predict that investors should become accustomed to
2 single digit returns from the stock market for the foreseeable
3 future. Interest rates are at historic lows. So that provides
4 the context for the question, is 12.8 percent fair and
5 reasonable? And we contend that it's overstated, and our
6 consultant intends to testify that based upon his analysis that
7 specifically for Progress Energy a fair and reasonable return
8 is 9.1 percent.

9 Well, what is the significance of that spread? If
10 the Commission were to authorize 9.1 percent instead of 12.8
11 percent, when they turn the crank and crunch the numbers, the
12 conclusion is that that single adjustment standing alone and
13 taking into consideration nothing else completely wipes out the
14 requested rate increase. It translates into that many dollars.

15 The other item that I want to mention is
16 depreciation, and depreciation in utility ratemaking has a
17 special connotation. It's the manner in which the utility
18 recovers its investment in plant over the, over the lives of
19 the plant items. And as -- and depreciation expense is built
20 into the base rates that customers pay. And each year the
21 company records the amount of depreciation expense it has
22 collected toward that objective of recovering all of the
23 initial cost, and the reserve represents how much money has
24 been collected toward that end at any given point in time.

25 Well, just as variables affect the company's performance in a

1 myriad of other ways, variables affect the manner in which it
2 is collecting depreciation expense toward the ultimate
3 objective of recovering all of its investment by the time that
4 the, by the time the plants are retired, which means at any
5 given point in time you can measure whether it is on course or
6 whether it is ahead of schedule or behind schedule. Has it
7 collected just the right amount? Has it collected too much?
8 Has it collected too little? Why is that important? Very
9 simply, it's fair for customers to pay for the plant that they
10 use while they're using it. But if the company has collected
11 too much at any given point in time, then today's customers are
12 subsidizing future customers because, when one corrects for the
13 imbalance, that means future customers are going to pay less.

14 Now we couldn't contend that just any modest
15 imbalance would call for any kind of drastic action. One has
16 to consider the magnitude of the imbalance. And that's where
17 this becomes important to the case because under Progress
18 Energy's own depreciation study the calculation is that the
19 reserve excess is more than \$500 million. Our consultant
20 believes that is understated. And when the corrections are
21 made to the salvage calculations, which are a factor in this,
22 the conclusion is that the imbalance is in excess of over
23 \$1 billion. That's with a B.

24 Now what does that mean? It means that, as is the
25 case every time the company conducts a depreciation study,

1 there's going to be a midcourse correction of some sort. And
2 the company contends that the right thing to do is simply to
3 recalibrate depreciation rates so that between now and the end
4 of the useful lives the pot will get right. Well, that is sort
5 of business as usual with respect to how the utilities and the
6 Commission deal with reserve imbalances, depreciation reserve
7 imbalances. But when the magnitude is possibly a billion
8 dollars and more, we contend that creates an intergenerational
9 inequity. It results in today's customers inequitably bearing
10 a disproportionate share of the cost of that plant between the
11 time they are using it and future generations. And so we
12 intend to recommend that a portion of that reserve excess, not
13 the entire amount, a portion of that reserve excess be
14 amortized over the next four years, not the 20 that the company
15 recommends, but the next four years.

16 And we say a portion for the following reasons. The
17 numbers are large, and care must be taken to ensure that the
18 remedy adopted does not impair the company's financial
19 integrity. That's not in the customers' interest, that's not
20 what we're asking. Also -- it also ensures that by
21 deliberately leaving the company in what I would call an
22 overfunded situation there is no risk that things are going to
23 turn around so severely that they'll be in a deficient position
24 four years from now when they will complete their next
25 depreciation study and the Commission revisits the subject.

1 In terms of the impact of the adjustment we
2 recommend, the, the correction of the depreciation excess
3 reserve in the form that we have proposed has the impact of
4 reducing the company's revenue requirements by \$211 million
5 annually. So you can understand that between the cost of
6 capital adjustment and the depreciation adjustment, that
7 explains the bulk of the spread between the company's request
8 for a \$205 million increase and our office's contention that
9 rates should be decreased by \$360 million a year.

10 There are other adjustments, some significant and
11 some smaller, which add, which when added to the two I've
12 mentioned amount to the 360, \$360 million decrease, but time
13 is, won't permit my going any further into that.

14 I hope you find this information useful. Perhaps it
15 provides a little bit of context for your own comments tonight,
16 and I thank you for your attention.

17 CHAIRMAN BAEZ: Thank you, Mr. McGlothlin.

18 Mr. Wright.

19 MR. WRIGHT: Thank you, Mr. Chairman. With your
20 permission, I'll face the consumers. Thank you.

21 Good evening. Thank you all for coming out. My name
22 is Schef Wright. I'm lucky enough to have lived 46 out of my
23 55 years in this wonderful state of Florida. I was born and
24 raised in Miami, went to undergraduate school at the University
25 of Florida, and came back and started a second career as an

1 attorney at Florida State, used to work on the PSC staff.

2 I have the privilege to be here tonight representing
3 the Florida Retail Federation, which is a statewide
4 organization that has more than 10,000 members, including many
5 of the state's, probably all of the state's largest retail
6 chains including Publix, Food Lion, Kash n' Karry, Sweetbay
7 Supermarkets, Target, Wal-Mart, Macy's and The Home Depot, as
8 well as dozens or hundreds of other smaller retail chains and
9 thousands of individual proprietorships and mom-and-pop
10 operations.

11 I will set the modest goal for myself of being the
12 briefest presenter tonight and I'll make my comments as short
13 as I can.

14 This case is about what the Florida Public Service
15 Commissioners are going to allow Progress Energy Florida to
16 charge you consumers for your electric service. It's not
17 really about whether Progress is going to have enough money to
18 make needed investments. We all agree, Mr. McGlothlin agrees,
19 Mr. Twomey representing AARP, my folks, the members of the
20 Retail Federation all agree that Progress needs enough money to
21 make needed investments and needs enough money to cover all of
22 its legitimate, reasonable, prudent operating costs. We
23 believe that they will have enough with far lower rates than
24 what they have asked for.

25 Progress says they need lots of money to make

1 \$10 billion of investments over the next ten years in power
2 plants and transmission lines, distribution facilities. That's
3 probably true. But the money, the rate increase they're asking
4 for would have them earn 12.8 percent return on their
5 investors' equity in those new investments. As Mr. McGlothlin
6 said, we believe that that's excessive. That's nearly triple
7 the rate on a long-term treasury bond and it's more than triple
8 the rate that's currently available on longer term CDs.

9 The concept of risk is very important here. If you
10 look at Progress's rates -- if I look at Progress's rates, I
11 can't find anything like the risk that justifies that. About
12 59 percent of Progress Energy Florida's total revenues come
13 through surcharges, clause charges like the fuel charge, the
14 environmental charge, the conservation charge, now the
15 hurricane surcharge that will probably be coming into effect
16 very soon, about, plus tax adders(phonetic), 59 percent of all
17 their retail revenues. That accounts for something like
18 67 percent of their total operating expenses are recovered
19 through surcharges. So where's the risk? Fuel charges, dollar
20 for dollar paid by customers; conservation programs, dollar for
21 dollar paid by customers; hurricane costs, dollar for dollar
22 paid by customers; environmental programs, dollar for dollar
23 paid by customers. And they're a monopoly, you don't have a
24 choice. There's very, very little risk of the customer base
25 eroding.

1 I want to cover a few cost items very briefly and
2 then close. Progress has asked in its rate increase for a more
3 than sevenfold increase in the amount of money they're allowed
4 to collect to accrue towards storm damage. We simply believe
5 this is excessive. We think something like a two- or threefold
6 increase from \$6 million to maybe \$15 million or \$20 million is
7 a lot more appropriate, particularly in light of the recently
8 enacted securitization legislation which will enable them to
9 come get another special surcharge to recover hurricane costs.
10 There are a bunch of other not quite so big ticket items. To
11 kind of paraphrase Everett Dirksen, you know, a million here, a
12 million there, pretty soon you're talking about real money.

13 Our witnesses testified and the witnesses of the
14 other consumer representatives intervening in this case will
15 testify that Progress has overstated the number of employees
16 that it will have next year. That's worth about \$2 million a
17 year. Overstated payroll taxes, that's worth about \$6 million
18 a year. Overstated base pay expenses, that's worth about
19 \$6.5 million a year. Overstated cost of distribution
20 reliability initiatives, at least relative to what they have
21 previously spent versus what they told the PSC they would
22 spend, by about \$10 million a year.

23 The bottom line is this: Progress wants a rate
24 increase of \$205 million a year in its base rates. That's
25 separate from all these surcharges that I told you about. Our

1 side of the case believes that Progress should not only not
2 have a rate increase, they should have a rate decrease
3 approaching \$350, \$360, maybe even a little more than that,
4 million dollars a year. For a residential customer at the
5 bottom line Progress wants -- an average residential customer,
6 Progress wants to raise your rates \$4 or so a month, maybe a
7 little more than that. The consumers' position in this case
8 would reduce your rates by somewhere between \$9, \$11, maybe \$12
9 a month. If you're a real average customer and you use 1,220
10 kilowatt hours a month, that's closer to the number. If you
11 use 1,000, it's more like \$9. Whatever it is, you're looking
12 at a difference between our position, the consumer
13 representatives' position, and the company's position that's
14 pushing \$15, \$16, \$17 a month. It's real money. We oppose the
15 rate increase. I hope you residential consumers, citizens will
16 too. Thank you.

17 CHAIRMAN BAEZ: Thank you, Mr. Wright.

18 Mr. Twomey.

19 MR. TWOMEY: Mr. Chairman, Commissioners, good
20 evening.

21 Ladies and gentlemen, good evening. My name is Mike
22 Twomey. I'm an attorney appearing on behalf of AARP Florida,
23 as well as the Sugarmill Woods Civic Association, Inc., which
24 is located in Citrus County. About half of its members are
25 served by Progress Energy.

1 AARP and Sugarmill Woods adopt the positions taken by
2 the Office of Public Counsel on behalf of you out there who are
3 customers of this utility, that the utility should not only not
4 get the \$205 million in increases it is asking for, but the
5 rates, in fact, should come down \$360 million from their
6 current levels.

7 As Mr. Wright said, we have concluded, their experts
8 have concluded that the company will still be reliable. The
9 lights won't go out, you won't be dealing with third world
10 conditions if they don't get a rate increase. Presumably their
11 charity and their community service and their well-documented
12 good works in these communities they serve will continue even
13 if they don't have a rate increase.

14 Let me speak briefly on the two issues the other two
15 attorneys have talked to that concern consumer groups the most.
16 And all the consumers are looking for here, ladies and
17 gentlemen, is fair treatment, the flip side of the coin from
18 what the company, this company has gotten in the past when it's
19 come in and claimed harder times on the return on investment or
20 the profit level that's allowed by the Commission. In the
21 1980s the companies came in, this company included, they said
22 interest rates are going through the roof, CDs are paying more,
23 cost of capital is going up, and the Commission at that time
24 listened to them and very rapidly increased rates to above
25 15 percent, in about 1984 was the last time.

1 Thereafter, ladies and gentlemen, the economy turned
2 around, interest rates came down from 20 percent, CDs started
3 paying less, and the interest rates have come down, cost of
4 capital rates have come down nonstop essentially since about
5 1985. Companies have been slow to come in and offer to give
6 the money back because equity, their profits, is a component
7 that the customers have to pay, and when it goes down, the
8 rates should go down on a net basis. Jack Shreeve, who's in
9 the room, is a former Public Counsel, in many cases, including
10 with this company, had to go out and negotiate and negotiate
11 hard and ask them to give some of the money back. And that's
12 why their rates have gone down over the years at least once.

13 Now the rates went up dramatically by this Commission
14 when the company showed a need that rates were required to go
15 up. Rates have been coming down, they're going down now,
16 they're not 12.8 percent. That's an excessive return by far.
17 AARP and my other clients supports the 9.1 percent. That just
18 about kills the rate increase.

19 The depreciation issue requires the flip side
20 treatment as well. When the companies have come in
21 historically to this Commission and they've said, "We have a
22 deficiency," or, in the words of Mr. McGlothlin, when they
23 haven't been charging you and your rates enough depreciation
24 expense -- and it's an expense that goes in your rates, it's
25 real money, ladies and gentlemen, not just an accounting entry.

1 Okay. Nothing is just an accounting entry. When they came in
2 historically and said, "We've gotten behind in our depreciation
3 expense reserve, we need to catch up to keep things on an even
4 keel," the Commission typically was quick to react and would
5 give the company back the reserves, the deficiency, through
6 increased rates or increased charges three years, four years,
7 five years. The flip side of the coin is to take this massive
8 surplus Mr. McGlothlin talked about and give it back to the
9 customers over a relatively short period of years, not the 20,
10 25 or remaining life periods the company wants to do.

11 Mr. Habermeyer talked about the increase of 350,000
12 customers or more since the last rate case as if that was a bad
13 thing. I don't know how many of y'all have businesses out
14 there, but presumably most businesspeople like to have more
15 customers because more customers bring more revenues. I don't
16 think he mentioned it tonight, but he said earlier, and it's
17 true, that the existing customers, those of you that are
18 current customers are using more electricity per capita each
19 year and that, in turn, gives the company more revenues.

20 It is the position of the customer representatives
21 that the additional revenues from new customers and the
22 increased revenues from existing customers gives the company
23 plenty of money with which to buy new power plants, employ its
24 people, who are all good, and still make a fair and reasonable
25 profit.

1 We had a lady testify this morning in St. Petersburg,
2 Jackie Johnson, a lovely lady, a 90-year-old widow, came up and
3 testified and she put a human face on what this increase could
4 do to people, in my view in any respect. And it shows what an
5 increase, even a relatively, what they would call a modest
6 increase, a price of a latte, that kind of thing, can do to
7 people that live on fixed incomes or low incomes.

8 Mrs. Johnson talked at length about the little bit of
9 money she got from her retirement and social security, how she
10 doled that out for rent, for insurances, for telephone and a
11 huge portion for medicine. Now I say that because she said,
12 her own words, that this was going to hurt her, she couldn't
13 afford the increase. So the impact is the same one: Tens, if
14 not hundreds, of thousands of other people served by this
15 company that are on fixed incomes or low incomes.

16 I would ask you if you've come here to testify in
17 favor of Progress Energy because they've been a corporate
18 sponsor of your charity or your museum or a nonprofit or other
19 group, and, and we've heard a great deal about the company's
20 generosity in supporting all these endeavors, I would say to
21 you, talk about that until you're blue in the face. We're
22 happy to hear it. But unless you understand the tens of
23 thousands of pages of evidence that Mr. McGlothlin's experts
24 have looked at, Mr. Wright's experts have looked at, after
25 which they've concluded that no rate increase is due and, in

1 fact, the rate should come down, I would ask you to think twice
2 about speaking in favor of a rate increase. Thank you for your
3 time.

4 CHAIRMAN BAEZ: Thank you, Mr. Twomey. At this point
5 I would ask all those that have signed up to give public
6 testimony tonight to please stand and raise your right hand.

7 (Witnesses collectively sworn.)

8 What I would -- just a quick question. Sandy, are
9 both these microphones working? What I would suggest, ladies
10 and gentlemen, is that you use this microphone to my left or to
11 your far right so that if any of the attorneys or any of the
12 parties have questions, they can use the other microphone so
13 that the court reporter can get all the, all the statements on
14 the record.

15 Can you hear me, sir?

16 MR. CAPABANCO: No. I have a hearing loss though.

17 CHAIRMAN BAEZ: That's okay. I'll speak a little
18 louder. What I was saying was to use the right microphone when
19 you come up to speak. Okay? Great.

20 Mr. McGlothlin, can you go ahead and call the first
21 witness?

22 MR. MCGLOTHLIN: The first name on the sign-in sheet
23 is Clyde Simpson.

24 Mr. Simpson, if you would, give the Commission your
25 name and address and proceed with your statement.

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CLYDE SIMPSON

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

DIRECT STATEMENT

MR. SIMPSON: My name is Clyde Simpson. I've been called Tom all my life. That's because my middle name is Thomas.

Obviously, I'm a citizen of Clearwater. And I really want to thank the Commission for coming here, and hope you're enjoying your stay and enjoying the beautiful city that we have here in Clearwater.

My particular attitude toward this rate increase is, one, that it really is going to affect me and my wife as far as paying our bills is concerned.

This morning I went out and it was 96 degrees Fahrenheit outside my home. On that basis I went out to the back of my house and looked at my electric meter, and it was spinning around like crazy because my air conditioning was, was operating. On that basis I said, "Well, let's compare my electric cost." So I went in and I got my bill from Progress Energy and I looked at it, and last month's bill was something on the order of -- I'll give you the exact figures -- \$220.27. On that basis, the 1,000 kilowatt hours was billed at something on the order of 4.486 cents per kilowatt hour. After the 1,000 kilowatt hours were used, I used 1,160 kilowatt hours, and that

1 rate was \$5.48 -- excuse me, 5 cents, 5.4, 5.486 cents. So
2 totalling all that up comes to a figure of something like \$201.
3 And on that basis I run into taxes, municipal taxes, that type
4 of thing, and obviously I'm up around \$220 for my electric bill
5 for the month of June.

6 Okay. So what is this particular price increase that
7 they are requesting going to do for me particularly? And that
8 is it's going to increase my bill something on the order
9 of \$5 to \$8 a month. Well, \$5 to \$8 a month to a working
10 person really doesn't matter too much. But to a person on a
11 fixed income like me as a senior citizen, I collect a pension,
12 I collect social security and that's pretty much it. If I have
13 been pretty lucky over the years, I've invested in some stocks
14 that are paying me a dividend. But how often does the stock
15 increase the dividend rate that they pay? So basically a rate
16 increase is going to cause me a hardship. And that's what I
17 want to emphasize here, that look at the individual, especially
18 the senior citizens who are living on fixed incomes. That's
19 going to be a real hardship on these people to meet their
20 coming bills. Not only does electric power increase in price,
21 but all the other people are increasing their rates. Look at
22 the telephone bill. That's going to go up \$5 to \$8 a month
23 because the Public Service Commission has approved a rate
24 increase for BellSouth and Verizon and those companies. So
25 let's look at that because that's important to me as an

1 individual and to, as a couple and to our standard of living.
2 So thank you very much, gentlemen and ladies, and we appreciate
3 it.

4 CHAIRMAN BAEZ: Any questions of Mr. Simpson? Thank
5 you, sir.

6 The following witnesses, y'all can now face the
7 Commission. It makes it easier for me to follow. I didn't
8 tell Mr. Simpson, but I'm telling the rest of you now.

9 Mr. McGlothlin.

10 MR. MCGLOTHLIN: Mr. Chairman, the next three
11 individuals signed in together. It's my understanding they
12 request permission to speak to you at the same time.

13 CHAIRMAN BAEZ: Okay.

14 MR. MCGLOTHLIN: Joshua Magidson, Kathy Rabon and
15 Robert Freedman. I hope I didn't butcher the names too bad.

16 CHAIRMAN BAEZ: From the looks of everyone, they're
17 going to try and do it in harmony.

18 COMMISSIONER BRADLEY: Give us your names again.

19 MR. MAGIDSON: My name is Joshua Magidson,
20 M-A-G-I-D-S-O-N. To my right is Kathy Rabon, R-A-B-O-N; and
21 Robert Freedman to my left, F-R-E-E-D-M-A-N.

22 COMMISSIONER BRADLEY: Robert Freedman?

23 MR. FREEDMAN: Freedman. Correct.

24 JOSHUA MAGIDSON

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. MAGIDSON: We are from Ruth Eckerd Hall. I'm an
4 attorney here in Clearwater. My office is at 625 Court Street
5 here in Clearwater. I've been in Clearwater since 1970. I'm
6 also Chairman of the Foundation of Ruth Eckerd Hall, our
7 performing arts center. And just to make a comment about, you
8 know, a charity coming up, I feel like we've already had our
9 legs cut out from under us before we got up to speak because we
10 are not experts on Public Service Commission utility issues,
11 we're not experts, we haven't realized what the issues are
12 before coming here. We're here to talk about our relationship
13 with Progress Energy and how it's worked very well for this
14 community and for our hall.

15 Progress Energy is a great partner with us, they do
16 care about the community, they have invested in their
17 community, they volunteer in their community, they are one of
18 our lead sponsors, they care about the arts, they care about
19 the performing arts and they care about the economic growth of
20 our community. And I believe that's part of a whole
21 encompassing issue when you consider all the issues. And,
22 again, we're not experts. That's why we have a Public Service
23 Commission, and we appreciate your service to us.

24 At this time I'd like to introduce Kathy Rabon, our
25 Executive Director.

1 KATHY RABON

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

4 DIRECT STATEMENT

5 MS. RABON: Thank you, and thank you for allowing us
6 to be here. Ruth Eckerd Hall is a not-for-profit organization
7 and, as Josh mentioned, we rely on community partners. And the
8 leader in our community in excellence and in community
9 partnerships and the, the person, the organization, the company
10 that's leading the way is Progress Energy.

11 And I have a very brief letter that I'd like to read
12 quickly to you this evening so that you can understand the
13 depth of what we do and the importance, the important role that
14 Progress Energy plays in the role of our not-for-profit and
15 many other not-for-profits in our community.

16 "Dear Ruth Eckerd Hall, I wanted to take a minute to
17 thank you so much from the depth of my heart for all you did
18 with and for my children. When we saw your community arts
19 program, my Tony and Lindsey knew from that moment they wanted
20 to be part of such a great production. You gave them a goal,
21 you gave them inspiration before they ever auditioned.

22 "My son has been so sick this past year with a
23 disorder that is so rare no one can seem to treat it, but
24 through all his surgeries and biopsies he had a dream, to be in
25 the show at Ruth Eckerd Hall. You helped both my children fill

1 their dream. Aside from boosting their self-esteem to such
2 great levels, your education program did something else that I
3 would like to share with you.

4 "On Friday we had tickets for both our children's
5 grandparents, their Godparents who came from hours away, and an
6 85-year-old friend who had never been to Ruth Eckerd Hall or
7 seen a show. Being together with the family and friends we
8 took photos of the audience all in support of the children, all
9 so proud and happy to be there together. My husband's family
10 had three deaths the following week, but the happiness and
11 joyed we shared at Ruth Eckerd Hall can never be replaced and
12 will always be cherished, all made possible, such tremendous
13 caring and giving, by Ruth Eckerd Hall.

14 "The inspiration to our community is incredible, and
15 I really want you to know it is more than a show, more than a
16 few performances. You touch lives in a very big way."

17 Without the support of the leader in our community,
18 Progress Energy, these programs would cease to exist. They are
19 touching lives all throughout our community in many ways that
20 are very difficult to measure in percentages and numbers.

21 As a lifelong resident, I'd also like to speak on a
22 personal level, that this year was the most difficult year I've
23 ever experienced in my lifetime with four hurricanes. We never
24 lost our reliable power in our home or in the five businesses,
25 the five retail businesses that my husband and I personally

1 own. Progress Energy is committed to excellence in and
2 throughout the community, and that's what I appreciate on all
3 levels. Thank you.

4 ROBERT FREEDMAN

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. FREEDMAN: Thank you for the opportunity for us
9 to talk to you this evening. I am President and CEO of the
10 operating company of Ruth Eckerd Hall, and I'm also Vice
11 President of Government Affairs and Economic Development for
12 the Clearwater Regional Chamber of Commerce and serve on the
13 Executive Board of the Chamber.

14 And partly what I want to talk about, unfortunately
15 in my home I didn't have as lucky an experience as Kathy, we
16 did have a power outage at my home personally and also during
17 the hurricanes last year and also at Ruth Eckerd Hall. What we
18 experienced was a company that was committed to restore that
19 service as quickly as possible in both instances. At home when
20 we called and let the company know the power was out, they
21 communicated well to us about what was going on, their
22 priorities, and, and a time frame in which the power would get
23 back, and they exceeded that goal. Same thing at Ruth Eckerd
24 Hall; when the power went out, we were in the midst of our
25 preseason sales, all our employees could not come in. We, we

1 actually saw -- I went into the hall and saw that there was a
2 transformer that was exploding. We called and reported that to
3 them. Within the hour there was a crew out there taking care
4 of that transformer and making sure that there was no one in
5 danger of any activity that was coming off of that transformer.
6 And within a short amount of time the power was restored back
7 at Ruth Eckerd Hall and our 62 employees were able to get back
8 and work, get back to work, to their jobs. So we appreciated
9 the effort that they made both personally at home and also at
10 Ruth Eckerd Hall.

11 We also had a program this year of construction in
12 which we put in a number of cost saving energy controls, and
13 Progress Energy provided a rebate because of those energy
14 controls. At home also we asked for a personal audit, which
15 the company does for all of their consumers. As a result of
16 their audit, we implemented things in our home and were able to
17 save some cost on our energy bill.

18 So on the whole our experience with Progress Energy,
19 not only in terms of their corporate support which helps us
20 educate over 200,000 children a year at Ruth Eckerd Hall, but
21 their response to providing service that is reliable and there
22 when we need it, we really appreciate all that they do for the
23 community. So we just wanted to share that with you and let
24 you know about the work that they do here. Thanks.

25 CHAIRMAN BAEZ: Questions of the witnesses? No?

1 Thank you all for coming.

2 Mr. McGlothlin.

3 MR. MCGLOTHLIN: The next witness is Beth Coleman.

4 BETH COLEMAN

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 MS. COLEMAN: Good evening, Mr. Chairman,
9 Commissioners. I'm Beth Coleman, President and CEO of the
10 Clearwater Regional Chamber of Commerce.

11 Progress Energy is a valued community and corporate
12 citizen. Their support and willingness to give back to the
13 community is substantial, along with the many contributions
14 that the employees make serving on boards and giving their time
15 to community and business organizations.

16 In November of 2004 the Clearwater Regional Chamber
17 of Commerce Board of Directors passed a resolution in support
18 of Progress Energy and all the work they did for us last year.
19 The resolution stated that Progress Energy is a well-respected
20 business organization within our community. And when our
21 community and businesses were in great need during the repeated
22 storms, Progress Energy was there. They ensured quick and
23 effective restoration of our power. This was certainly an
24 important quality of life issue and certainly important to our
25 businesses so that the community could remain economically

1 viable. There's a great value to a community when a utility
2 like Progress Energy is such a great corporate citizen.

3 Thank you for your time.

4 CHAIRMAN BAEZ: Questions of Ms. Coleman? Thank you,
5 ma'am.

6 MR. MCGLOTHLIN: Henry Wichmanowski.

7 MR. WICHMANOWSKI: You're commended on saying that
8 correctly, sir.

9 MR. MCGLOTHLIN: I was holding my breath.

10 CHAIRMAN BAEZ: He's getting better.

11 HENRY WICHMANOWSKI

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. WICHMANOWSKI: Good evening. I am Henry
16 Wichmanowski. I am the Executive Director for the Pasco
17 Education Foundation. I live in Pasco County. And I am here
18 this evening to speak on behalf of Progress Energy.

19 It is important to me in my role with the education
20 foundation -- and, again, I'm not speaking as, on behalf of
21 them. I'm here as a citizen of Pasco County. I have lived in
22 Pasco County consecutively now since 1984, and the quality of
23 life in Pasco County has been increasing every year. We're
24 very proud of the school system, we're very proud of the
25 community we're developing up there, and Progress Energy has

1 played a key role in that.

2 Also in the school system that I've worked for
3 consecutively since 1994, I've been a teacher, I've been a
4 coach, I've been a principal of the school. And while I've
5 been in those roles, I have worked with the school system and
6 worked with Progress Energy as one of our main leaders on
7 energy conservation in trying to reduce the amount of
8 consumption that we have in our school system, and I know that
9 Progress Energy has played a key role in that. And so when
10 people talk about, yes, we want to raise the rates, and yet if
11 we have more consumption, it's going to be better for the
12 company -- they're working with us to try to reduce how much we
13 consume and work with us on that on a regular basis.

14 I would just like to speak on behalf of Progress
15 Energy in terms of what they mean to the quality of life. I
16 know that, that -- I don't know about the statistics that our
17 speakers have spoke of this evening and the research. I know
18 that I can speak of the quality of life and I know what they've
19 given to the, to the community in Pasco County.

20 I know that they are philanthropically-minded, I know
21 that they're civic-minded and I know that they are concerned
22 about the quality of life. As a citizen of Pasco County, as a
23 citizen of the Tampa Bay area, I am concerned about the growth
24 that we have, and I know that, that just as in the school
25 system when we're looking at a huge growth population, we're

1 looking at rates and costs and things go up. And I know that
2 in order to accomplish that and in order to provide the most
3 quality service that we can provide, sometimes that means there
4 must be a rate increase. And I support Progress Energy and
5 what they're trying to accomplish, and I thank you for the time
6 to speak.

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

9 Mr. McGlothlin.

10 MR. MCGLOTHLIN: Rocco Capabanco.

11 ROCCO CAPABANCO

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. CAPABANCO: Mr. Chairman, Commissioners, I've
16 never been before this before, but I want to say this, I really
17 sympathize with you if you have to go through this for every
18 public hearing.

19 CHAIRMAN BAEZ: It's not so bad.

20 MR. CAPABANCO: All right. Based on -- I'm sorry. I
21 didn't catch the gentleman's name who presented first for
22 Progress Energy, I made a number of notes, but I think I'll
23 stick to why I originally came here.

24 Basically it's a matter of rate of return, which was
25 addressed by the Public Counsel, I don't need to go into that.

1 It's pretty obvious they're not entitled to it. They need a
2 reduction.

3 Now why do they need a reduction? I'll give you a
4 little history. I moved to Florida in 1961, lived in Lakeland,
5 was served by Lakeland Electric, moved to Pinellas County, had
6 Florida Power, which is now Progress Energy, which is now some
7 out-of-state ownership, Carolina Power & Light, whatever they
8 are, their investors, good. You over the years have granted
9 them all these extra charges.

10 In 1993 I didn't live where I presently live in Palm
11 Harbor, Florida. I actually lived in Tarpon Springs at the
12 time. My electric bill has almost quadrupled. Regardless of
13 whether he had a rate increase based on nearly one million
14 people paying for their screw-ups at Crystal River, we paid for
15 that. That was something granted by you. We are paying for a
16 hurricane recovery charge. Now, Chairman Baez and Mr. Deason,
17 you probably don't know this, but Commission Rudy should know
18 it. In 2004 no hurricane hit Pinellas County, yet nearly
19 one million people are paying for the hurricane recovery
20 charge, one million. Now if you're going to do business in the
21 state of Florida, I don't care if you're from North Carolina,
22 if you want to do business here, you should understand in the
23 summertime we're going to get tropical storms. That's a fact
24 of life. I've lived here since 1961, so I'm telling you, I
25 know you're going to get tropical storms. That needs to be

1 part of your operating expense. That's not an extra. Why
2 should one million, nearly one million people in the Tampa Bay
3 area or more pay for hurricane recovery? I have no idea why
4 you granted that. It cost me out of pocket several thousand
5 dollars, and I'm going to tell you why. It goes back a little
6 ways.

7 I have this little letter from Progress Energy.
8 "Concerning your inquiry regarding interruptions." Now I've
9 been complaining since, I guess, '96 about frequent
10 interruptions to my residential service. I finally get this
11 letter that says, "Be assured that our office is investigating
12 your concerns and will update you on our findings. We will
13 provide you with explanations." They never did.

14 In 2004 I pressed the matter. The respondent here
15 had someone else call me and told me that this Coastal
16 Communications team, woman does not return calls. That was my
17 answer. All right.

18 In 2005 I got another call about two months ago
19 saying, "Well, you've only had five interruptions so far this
20 year." This is residential service. I've only had five
21 interruptions.

22 A little further, Dennis comes by 200 miles off the
23 coast of Florida; 5:00 in the morning my electric goes out. So
24 in 2004 I found out that in a particular subdivision where I
25 live, which is nearly 700 homes, 50 homes are served out of the

1 Tarpon Springs grid, which has had historic problems that have
2 never been corrected and are still not corrected. How can you
3 consider -- don't you -- is there no performance criteria these
4 people have to meet? How does the poor consumer have to get
5 stuck with this? If I had my choice between Lakeland Electric,
6 TECO, which I've had service for my business, Florida Progress,
7 Florida Power & Light, Gulf Utilities, Jacksonville Electric,
8 Withlacoochee Co-op, they would be last on my list. That's the
9 kind of service I think we get, regardless of their
10 philanthropic distributions of my money. That's all I'd like
11 to say. Thank you for your time.

12 CHAIRMAN BAEZ: Thank you, sir. Any questions of
13 Mr. Capabanco? Thank you.

14 MR. MCGLOTHLIN: Next is Katie Cole.

15 KATIE COLE

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

18 DIRECT STATEMENT

19 MS. COLE: Good evening, gentlemen and ladies. My
20 name is Katie Cole and I'm a resident of the town of Bellaire,
21 and I just wanted to come in tonight and let you know that I do
22 appreciate Progress Energy's request for their rate increase
23 and do support it. Progress Energy is a valued member of our
24 community. They -- their significant work with economic
25 development helps small businesses especially in our community

1 and keeps more people employed than would otherwise be employed
2 without their help.

3 You've already heard from nonprofits of their
4 gratitude and what they bring to our community. It was ironic
5 that Mr. Habermeyer spoke about reliability and customer
6 service because that's really the first thing that I think of
7 when I think of Progress Energy. I value reliability and I
8 value customer service, and those things together cost money.
9 And if Progress Energy feels that they need this rate increase
10 to keep the expectations we have developed as high as they are,
11 then I sure hope that you believe they do as well and will
12 grant it. So thank you.

13 CHAIRMAN BAEZ: Thank you, ma'am. Questions of
14 Mr. Cole -- Ms. Cole? I'm sorry.

15 MR. WRIGHT: Long day.

16 CHAIRMAN BAEZ: Thank you. It is a long day.

17 MR. MCGLOTHLIN: Kathleen Simon.

18 KATHLEEN SIMON

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 MS. SIMON: Good evening, ladies and gentlemen, and
23 thank you for hearing from me.

24 I am speaking for another not-for-profit, grateful
25 organization in our community. I'm with Morton Plant Mease

1 Foundation, who supports our Morton Plant Mease Health Care
2 System, Morton Plant Hospital, both Mease hospitals and Morton
3 Plant North Bay Hospital. Without the help of corporate
4 sponsorship and corporate input like Progress Energy we would
5 not be able to serve the health care needs of this community
6 the way that we are able to do with their help.

7 As far as I've looked back, they have supported us,
8 the foundation, since 1969, continue on to this day. They're
9 one of our very high major corporate sponsors and contribute to
10 us on a, on a yearly basis. In 1996 Progress Energy was the
11 first to step up to the plate and become what we now know as a
12 presenting sponsor for our semi, our biannual corporate event
13 presented to this community which supports health care in areas
14 like cardiovascular disease, cancer, they supported our ER1,
15 they support our children's programs, and they've taken a
16 leadership role and engaged other businesses and local
17 corporations to support the health care that we deliver in this
18 community. They have always played a leadership role, they
19 have spoken well about us and communicated the medical needs in
20 our community. We serve all medical needs for everyone, we
21 don't turn anyone away, regardless of their ability to pay.
22 And I have to, I have to say that without their help we would
23 not be able to serve the community and the medical needs the
24 way that we've been able to do. Thank you.

25 CHAIRMAN BAEZ: Thank you. Questions of Ms. Simon?

1 Thank you, ma'am.

2 MR. McGLOTHLIN: Lil Cromer.

3 LIL CROMER

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

6 DIRECT STATEMENT

7 MS. CROMER: Good evening, and thank you for
8 affording me the opportunity to speak tonight. My name is Lil
9 Cromer. I'm not a president or a CEO of anything. I'm not
10 involved with a nonprofit organization. I'm just an interested
11 consumer and citizen.

12 Some people are under the misconception that the
13 latest hurricane surcharge that this Commission awarded
14 Progress Energy should have been covered by insurance. We know
15 that has not been the case since Hurricane Andrew. The
16 insurance companies are holding both corporations and
17 individuals hostage. Shame on them. Allowing Progress Energy
18 this cost recovery increase was fair and equitable, but not
19 correlated to the request for the increase now under
20 consideration.

21 I've been conducting an informal study around the
22 country regarding the reliability of electric service and I've
23 heard some real horror stories. I've lived in Pinellas County,
24 specifically Bellaire, for the past 15 years and have nothing
25 but praise for Progress Energy's response times after outages,

1 as well as their reliability. My energy rates are
2 substantially less than those of my friends and relatives in
3 many other states.

4 Progress Energy has not requested a rate increase in
5 12 years, which is pretty amazing when you consider the
6 escalated costs of petroleum and health care, not to mention
7 inflation. It appears unreasonable to expect them to continue.
8 However, it may be more palatable to we consumers if an amount
9 less than the amount of the increase that Progress Energy is
10 asking for, that is the \$3.79 per 1,000 kilowatt hours, be
11 approved. Thank you.

12 CHAIRMAN BAEZ: Questions of Ms. Cromer?

13 Thank you, ma'am.

14 MR. MCGLOTHLIN: Doreen Moore.

15 DOREEN MOORE

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

18 DIRECT STATEMENT

19 MS. MOORE: Good evening. Thank you for the
20 opportunity. As many of the other people have mentioned, we've
21 heard a lot of comments from the charitable organizations, and
22 basically I'm here tonight just as a customer and an owner of
23 small businesses. I have lived in Pinellas County all my life.
24 I was born and raised here, I'm very proud to say. And I don't
25 relish the idea of a rate increase, but I, I do look at what

1 lies ahead. And as a business owner, I'm concerned about what
2 my customers -- I have a real estate company and a resort
3 rental company, so I'm involved in tourism and involved in
4 business. I think it's important to those people that they see
5 what happens in the future. It's important to me that we look
6 to what's going to be out there in the times ahead. And I
7 think that it's important that Progress Energy be afforded the
8 opportunity to bring us the services and the technology that
9 we're all going to need.

10 I think that -- you know, I'm saying that as a
11 consumer and a customer I'm stepping up and saying I accept the
12 responsibility that I need to make an investment in the future
13 for all those other people, and I think Progress Energy is
14 going to do that as well. And I, I look to them to provide
15 those services.

16 I think in our beach communities we have a lot of
17 things out there that, that we want to see happen, and we all
18 have to take that responsibility to work together to make those
19 things happen.

20 They have been a part of our community, they've been
21 very good to us, as you've heard other people testify, and I
22 think that they are going to continue to support us.

23 I don't need to talk about the hurricanes, you all
24 have had that hashed over many times. So those of us who have
25 been here and experienced all that appreciate the fact that it

1 was a challenge for the people who live here and obviously for
2 the companies to provide the services.

3 So I look at it as the bottom line is that I don't
4 want the power going out. And we need to find ways to be sure
5 that we advance and go forward into the future. And I think
6 that the only way we can do that is to work together and find a
7 plan to make that work. And I think Progress Energy can do
8 that and needs the rate increase to do so.

9 CHAIRMAN BAEZ: Thank you, ma'am.

10 MS. MOORE: Thank you.

11 CHAIRMAN BAEZ: Questions of Ms. Moore?

12 Thank you, ma'am.

13 MR. McGLOTHLIN: Arlene Wick.

14 ARLENE WICK

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

17 DIRECT STATEMENT

18 MS. WICK: My name is Arlene Wick, and I'm a resident
19 of the city of Clearwater. I wanted to speak because I have a
20 situation going on in my backyard, myself and my neighbors, and
21 I have called about this problem over and over again. And we
22 have a live wire running through the back and my -- I don't
23 have one tree in my back tree, but my neighbors all have trees
24 and we do have a problem. We have wind quite often here in
25 Florida, and when we do have a windy day or an evening, we get

1 the trees hitting the live wire and we get flames. And they're
2 pretty good size flames and they come down into our backyards.

3 And I've made a number of phone calls to get someone
4 over to trim the trees. The first time I made a phone call, I
5 was told, "Well, get ahold of your neighbors and tell them to
6 get out there and trim the trees." Now I'm afraid to even trim
7 some of my neighbor's trees because I understand that if that
8 tree is touching that live wire and I'm out there clipping, I
9 might get zapped. I don't want that to happen to me.

10 So I've made a number of phone calls, everyone is
11 very nice on the phone, and I keep getting promises, but no one
12 shows up. And I'm getting a sneaky suspicion with this new
13 surcharge with the hurricanes that Florida Progress is asking
14 for, are they holding off on doing this job and waiting for a
15 hurricane to come and say, well, we had to do this because of
16 the hurricane? And I've been asking them to do this for two
17 years now.

18 About three years ago they did come out. They cut
19 some of the trees, really not enough, and two years later the
20 trees are right up there on the live wire again. And you could
21 be sitting there and you smell something and you think your
22 neighbor's house is on fire. I mean, wood is really smelly.
23 And then we go out and we look and it's like the 4th of July;
24 sizzling is going on, flames. I had one instance where about
25 two years ago flames came down and fell on the hot tub cover

1 and burnt a hole in it. So, okay, we had rains and rains after
2 that and it filled up the hot tub cover. And I could no longer
3 pick it up and place it aside to get in the hot tub, so I had
4 to purchase a new hot tub cover. And, after that, my husband
5 went ahead and built a gazebo over the hot tub because he felt,
6 well, we don't want to buy another hot tub cover.

7 Now I would suggest to Florida -- I keep calling them
8 Florida Power -- Florida Progress, that maybe they should send
9 these people out to work on these trees in the winter and in
10 the spring and get this job done, and then we won't have these
11 terrible problems at hurricane time. Just a small suggestion
12 for them. Maybe they didn't think about it, but I thought
13 about it. Thank you for listening.

14 CHAIRMAN BAEZ: Ms. Wick, a question. Are you still
15 having the problem with the --

16 MS. WICK: Oh, yes.

17 CHAIRMAN BAEZ: Okay. What I want you to do, and
18 it's something that I failed to mention, I'm pretty sure the
19 company has Customer Service Representatives either in the room
20 or somewhere else. So if we can -- I'm sure someone will take
21 you by the arm and show you who you need to talk to, and I'm
22 sure, pretty certain there's a lady back here --

23 MS. WICK: Oh, that would be great.

24 CHAIRMAN BAEZ: -- waiting for you. We're going to
25 get your, we're going to get your problem straightened out.

1 MS. WICK: It's a frightening thing up there with
2 those flames.

3 CHAIRMAN BAEZ: You shouldn't have trees rubbing up
4 against the live wire. That's for sure.

5 MS. WICK: Thank you very much.

6 CHAIRMAN BAEZ: You have a good night, ma'am. Thank
7 you.

8 Ms. Wick, there's a young lady waiting for you.

9 MR. MCGLOTHLIN: The next witness is Liz Phillips.

10 LIZ PHILLIPS

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

13 DIRECT STATEMENT

14 MS. PHILLIPS: Good evening. I'm Liz Phillips and
15 I'm representing the UPARC Association, which is the Upper
16 Pinellas Association for Retarded Citizens.

17 As with the other nonprofits that have been in the
18 room this evening, Florida Progress has been a partner of ours
19 for many, many years. They have helped a lot, particularly in
20 the last couple of years when we have seen tremendous budget
21 cuts that have affected our, excuse me, have affected our
22 clients greatly. We have a lot of mentally handicapped
23 clients, who, without UPARC's assistance, would not be able to
24 do their activities of daily living.

25 I really feel that Progress Energy is a tremendous

1 community asset, and any of the monies that they need -- excuse
2 me. This is difficult for me. I'm not used to public
3 speaking.

4 CHAIRMAN BAEZ: Take your time. There's no rush.

5 MS. PHILLIPS: That any monies that they need in
6 order to continue their community support should be granted.
7 Thank you.

8 CHAIRMAN BAEZ: Questions of Ms. Phillips?

9 Thank you, ma'am.

10 MR. MCGLOTHLIN: Jerry Samberg.

11 JERRY SAMBERG

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. SAMBERG: Good evening.

16 COMMISSIONER BRADLEY: Good evening.

17 MR. SAMBERG: I'm Jerry Samberg, Pinellas County,
18 nonincorporated. I live in a condo community, and in a few
19 minutes I'll give you an input on Progress Energy. But before
20 I do that, I'd like to say that Progress Energy, I'm certain,
21 is a good community or good corporate community citizen.
22 There's also a corporate culture that I have a problem with and
23 some of the decisions that are made from time to time.

24 Progress Energy is a monopoly. There's no
25 competitors in our area. I don't see the need of a costly

1 public relations ad campaign called People Performance and
2 Excellence.

3 Now as I mentioned at the start, I live in a condo
4 community, a private area, so we pay for our roadway lighting.
5 We rent the poles and we pay a specific amount whether those
6 lights work or not. So when there is a roadway lighting
7 problem, we expect a reasonable response to it. And when you
8 have a situation where you see a truck drive out, they look at
9 a sign and then they drive away -- and this happened several
10 times. And so finally after a number of calls I went over and
11 looked at the pole and it had a nondated sign on it that said
12 "URD," which stands for underground residential distribution.
13 So there was some problem. But the person who came out to look
14 at it said, "Well, it's not my area and we'll hand it off to
15 somebody."

16 Well, it was only when I finally was able to get
17 through the gated area of the operations complex and hunt down
18 somebody that we got some response to this problem. Now it was
19 a difficult problem to solve because they had to search for the
20 underground problem. But it was laughable in a way to see a
21 truck drive up and drive away; a week later, another one. And
22 I'm certain that there were others that complained too about
23 the light not working.

24 So I am in opposition to a rate increase. And I
25 really don't think that a costly public relations ad campaign

1 has any value other than to pump up the company in the eyes of
2 the citizens. Thank you.

3 CHAIRMAN BAEZ: Questions of Mr. Samberg?

4 Thank you, sir.

5 MR. McGLOTHLIN: Debbie White.

6 DEBBIE WHITE

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

9 DIRECT STATEMENT

10 MS. WHITE: Mr. Chairman and Commissioners, thank you
11 for the opportunity to address you tonight. My name is Debbie
12 White, and I'm a community volunteer in Safety Harbor, as well
13 as a former Safety Harbor Commissioner.

14 Progress Energy has been just a wonderful corporate
15 partner with our community both through the sponsorship of city
16 events and chamber, Safety Harbor Chamber of Commerce events.
17 But they've also given us a lot of in-kind help and employees
18 as volunteers for all of our different events.

19 With the help of Progress Energy, our community is
20 able to offer many events and programs to all of our community,
21 including all of our community members, and help to make Safety
22 Harbor the wonderful small town that it continues to be. Thank
23 you.

24 CHAIRMAN BAEZ: Questions of Ms. White?

25 Thank you. Mr. McGlothlin.

1 MR. McGLOTHLIN: The next name I have is Craig Sher
2 or Sher.

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

6 DIRECT STATEMENT

7 MR. SHER: Close enough. Good evening. My name is
8 Craig Sher. I want to give you three sets of comments tonight
9 kind of wearing different hats.

10 My first hat will be as Chairman of the Chamber of
11 Commerce of St. Petersburg. We have between 2,000 and
12 2,100 members. Some of the members are actually members of the
13 Retail Federation over here. I'm a member of AARP, so I guess
14 you represent me as well. So there's some other sides of the
15 coin I want to talk about today.

16 This morning, ironically, we had our monthly Board of
17 Governors meeting. The Board of Governors is the elected body
18 that represents the 2,100 or so members. We had some 40 people
19 in the room from small businesspeople to large businesspeople,
20 from deans of universities to heads of not-for-profit
21 organizations, and this morning we unanimously endorsed
22 supporting Progress Energy's request for the rate increase.

23 Now we're not technical experts and we don't
24 understand all the nuances and the depreciation schedules and
25 all that, but we're fully committed to support the maximum

1 increase this Commission deems to grant the corporation. And
2 let me explain why.

3 Some of the issues where I can talk until I'm blue in
4 the face are evident and have been presented here tonight, but
5 let me just highlight a few. One is there's no better
6 corporate citizens of the 2,100 members of the Chamber of
7 Commerce than Progress Energy. They understand and they get
8 what it takes to partner with government, with not-for-profits,
9 with for-profits, with the citizenry to help build our
10 community. Their contributions to the redevelopment of our
11 community are outstanding.

12 Second, and it's been talked about a lot tonight,
13 they support most not-for-profits in our community, and that's
14 exemplary.

15 Third, and I haven't heard this spoken about tonight,
16 but it's very important to the city of St. Petersburg, is
17 they've chosen to build their consolidated headquarters in
18 downtown St. Petersburg. That's huge for our city, for our
19 business community and for our citizens to have their
20 commitment to stay in St. Petersburg and to operate their fine
21 business from there.

22 Fourth, and I know it's been talked about and I don't
23 understand all the nuances, but I understand there's been no
24 base rate increase in almost 12 years. And I understand
25 there's been some variable increases based on certain variables

1 and I understand that, but I think it's time to reexamine those
2 base rates after 12 years.

3 Fifth, it's important for any corporation to invest
4 in new facility, new plant to deal with growth and to increase
5 their customer reliability. So if that money goes towards
6 increasing the reliability of their service which is so vital
7 to our business community, I think it's essential.

8 And, lastly, their hurricane record was exemplary.
9 And I spoke to this body a few months ago in support of their
10 increase. It was just phenomenal. We literally had no
11 complaints. In fact, we had resolutions supporting their
12 efforts on behalf of our chamber. And so I just wanted to laud
13 them once again.

14 So, again, we're not experts. We're here to support
15 this fine company in their effort to increase their rates. And
16 we kind of put it in your hands to determine the appropriate
17 amount, but we support the maximum that you can support.

18 The second hat I want to wear just quickly is I'm
19 President and CEO of The Sembler Company. The Sembler Company
20 is the largest shopping center retail developer in the state of
21 Florida and maybe the southeast United States. And in kind of
22 contrary to what the one gentleman said before, I know of no
23 better service provider of all the power companies we deal with
24 throughout the southern United States than Progress Energy.
25 And they're really at the top of the list, and we have some

1 1,200 tenants in our projects in Florida. And, believe me, we
2 get tons of complaints, and none of them have been about the
3 power and the electrical service to them. And, again, we get
4 lots of evidence of their happiness with the way the energy
5 company had repaired their service during the storms of last
6 year, and we had plenty of centers that were hit very hard by
7 that.

8 In terms of this cost of capital issue, that's
9 something I do know something about. I invest in a lot of
10 different ways, be it in real estate, be it in banks and trust
11 companies and other things. I would say that a 12.8 percent
12 return is within the acceptable range, maybe the high side of
13 the acceptable range. But speaking to the gentleman who
14 represents the federation of retailers, I do business with
15 virtually all of his clients. I would think they rarely invest
16 in new stores and new products and try to ever be happy with a
17 return less than 12.8 percent. And, again, it may be on the
18 high side of the normal range, but I find that to be personally
19 quite acceptable.

20 And, lastly, I want to speak as a citizen. And just
21 very briefly I've lived in this community for 25 years. Again,
22 I've had lots of issues with lots of different people, but
23 never with the power company. It's a real pleasure not to have
24 to turn on your flashlights that you stack on the shelf during
25 a storm or light the candles. The power has been uninterrupted

1 in my area generally, and when it has been, it's been repaired
2 very quickly. And I'm one of those who can afford a modest
3 rate increase, and I sympathize with those who can't. But if
4 it's a modest increase, I fully support that if, again, it
5 means more reliable service, better plant equipment and keeping
6 up with the growth in our area. So I thank you for your time
7 and appreciate your service to our community.

8 CHAIRMAN BAEZ: Questions of Mr. Sher?

9 Thank you, sir.

10 MR. MCGLOTHLIN: Karen Williams Seel.

11 KAREN WILLIAMS SEEL

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 COMMISSIONER BRADLEY: Hey, Karen.

16 MS. SEEL: Good evening, Mr. Chairman and members of
17 the Commission. Thank you for being here in our county of
18 Pinellas County and having the rate hearings. I know you have
19 had lengthy hearings this morning and then this evening.

20 I am a Pinellas County Commissioner. I was born and
21 raised here in Pinellas County. I have long, extensive
22 knowledge of Florida Power, now Progress Energy here in our
23 county. And I really do want to compliment them on always
24 being a great member of our community, not only from support
25 for charitable, but also for supplying very good government

1 services. I think when it comes down to it, as an elected
2 official it's my duty to make sure that we have the basic needs
3 supplied here in this county, and during -- and part of that is
4 the flow of electricity and the reliability of that service.
5 And I can't speak highly enough of the record that Progress
6 Energy has had in this community.

7 People have spoken previously about last year's
8 hurricanes. We had a funnel last night that destroyed about 50
9 mobile homes here. Their response was immediate. And they are
10 there to make sure that the citizens are receiving the service
11 and that it is restored immediately and safely. And so I
12 really do want to commend them on that and, again, just being
13 part of this community.

14 Finally, I do want to mention that many -- we have
15 many different utilities here from phone service to cable
16 service and so on, and not to ding them, but Progress Energy is
17 the only one who has a Good Neighbor Fund that is matched by
18 their foundation so that those who cannot afford the electrical
19 service can have access to funding to make sure that their
20 needs are served and that their electricity stays on.

21 So, again, thank you for being here, and we do
22 support Progress Energy.

23 CHAIRMAN BAEZ: Thank you, Commissioner. Questions?
24 Thank you again.

25 COMMISSIONER BRADLEY: Thank you, Karen.

1 MR. McGLOTHLIN: Those are all the names I have,
2 Chairman Baez.

3 CHAIRMAN BAEZ: Is there anyone that got here after
4 the hearing started and didn't get a chance to sign in that
5 still wishes to address the Commission?

6 Very well. I want to thank you all for coming out
7 and spending, taking time out of your, out of your evening. We
8 really do appreciate it. We've got a lot of good input, a lot
9 of good comments, and they'll become part of our deliberations
10 as this case moves forward. I want to thank you all again and
11 wish you all a good evening. We're adjourned.

12 (Service hearing adjourned at 7:30 p.m.)

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

3

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

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

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

17 DATED THIS ^{3rd}~~2nd~~ DAY OF AUGUST, 2005.

18

19



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

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