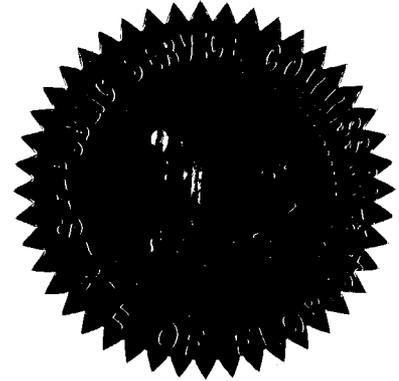


BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 060638-EI

In the Matter of

PETITION FOR APPROVAL OF STORM COST  
RECOVERY SURCHARGE TO RECOVER COSTS  
ASSOCIATED WITH MANDATORY STORM  
PREPAREDNESS INITIATIVES, BY FLORIDA  
PUBLIC UTILITIES COMPANY.



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PROCEEDINGS: AGENDA CONFERENCE  
ITEM NO. 10

BEFORE: CHAIRMAN LISA POLAK EDGAR  
COMMISSIONER MATTHEW M. CARTER, II  
COMMISSIONER KATRINA J. McMURRIAN  
COMMISSIONER NANCY ARGENZIANO  
COMMISSIONER NATHAN A. SKOP

DATE: Tuesday, June 5, 2007

TIME: Commenced at 9:30 a.m.

PLACE: Betty Easley Conference Center  
Room 148  
4075 Esplanade Way  
Tallahassee, Florida

REPORTED BY: JANE FAUROT, RPR  
Official Commission Reporter  
(850)413-6732

1 PARTICIPATING:

2                   NORMAN H. HORTON, JR., ESQUIRE, Messer Law Firm,  
3 CHERYL MARTIN, DON MYERS, and MARK CUTSHAW, representing  
4 Florida Public Utilities Company.

5                   CHARLES BECK, INTERIM PUBLIC COUNSEL, Office of  
6 Public Counsel, representing the Citizens of the State of  
7 Florida.

8                   ROSANNE GERVASI, ESQUIRE, KATHY LEWIS, JOHN  
9 SLEMKEWICZ, and BILL McNULTY, representing the Commission  
10 Staff.

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## P R O C E E D I N G S

1  
2 MS. LEWIS: Good morning, Chairman and Commissioners,  
3 Kathy Lewis, technical staff.

4 Item 10 is staff's recommendation on an amended  
5 petition filed by Florida Public Utilities Company, or FPUC.  
6 FPUC is seeking recovery of costs associated with implementing  
7 the ten storm preparedness initiatives and pole inspections the  
8 Commission ordered all electric utilities to begin planning for  
9 last year.

10 In September of 2006, FPUC filed a petition  
11 requesting that it be allowed to implement a temporary  
12 surcharge over ten years or until the next rate proceeding to  
13 recover the cost of implementing the storm initiatives. The  
14 petition included two alternative methods for dealing with the  
15 cost; use of the company's storm reserve funds or temporary  
16 deferral of the cost until the next rate proceeding. Staff did  
17 not believe that a surcharge was appropriate for these types of  
18 ongoing costs, and we discussed this with FPUC. We also  
19 discussed the two alternative methods, which at that time staff  
20 did not believe were good choices.

21 After these discussions, FPUC filed an amended  
22 petition requesting that the Commission hold a limited  
23 proceeding to consider increasing the company's base rates to  
24 cover the cost of implementing the storm hardening initiatives.  
25 The amended petition also included the cost recovery options

1 mentioned previously.

2 In May, meetings were held in the company's service  
3 territory in Marianna and Fernandina Beach to receive comments  
4 from customers. Also in May, the Commission docketed FPUC's  
5 request for a full revenue requirements rate case.

6 After staff learned FPUC had filed for a full rate  
7 case, the idea of temporarily deferring the cost until the  
8 upcoming rate proceeding became a more attractive option as it  
9 would allow the Commission to fully explore the storm hardening  
10 costs and determine the most appropriate recovery method.  
11 Consequently, staff recommends that FPUC's storm initiative  
12 implementation costs be temporarily deferred with interest and  
13 recorded in a deferred debit account until the costs can be  
14 explored within the context of the full rate case that the  
15 Commission would conduct next year.

16 That concludes staff's summary, and we're ready to  
17 answer your questions. Also, I believe that the Office of  
18 Public Counsel would like to speak on this matter, and  
19 representatives of FPUC are here to answer your questions, as  
20 well.

21 CHAIRMAN EDGAR: Thank you, Ms. Lewis.

22 And we will begin by hearing comments from the  
23 representatives of FPUC. You are recognized.

24 MR. HORTON: Madam Chairman, we support the staff  
25 recommendation. I understand Mr. Beck may have some comments.

1 I would like to reserve some time to respond.

2 CHAIRMAN EDGAR: Thank you.

3 Mr. Beck.

4 MR. BECK: Thank you, Madam Chairman, Commissioners.

5 Good morning. My name is Charlie Beck with the  
6 Office of Public Counsel.

7 Commissioners, I would like to start this morning by  
8 trying to put this case in the context of a number of other  
9 matters that are going to have a very significant impact on the  
10 customers of Florida Public Utilities. The first is the fuel  
11 charge case. Effective January 1st, 2008, the customers in the  
12 Marianna area are going to be subject to a very large increase  
13 on account of the renegotiation of a contract for fuel that  
14 will affect them. I don't know the exact level, but I have  
15 heard numbers in the area of a 50 percent increase in rates for  
16 the Marianna customers. I'm sure the company can give you  
17 more -- or a better picture of that, but it is substantial and  
18 significant.

19 On top of that, the company has filed a test year  
20 letter for a full rate case, and a separate docket has been  
21 opened by the Commission to pursue that. This will effect all  
22 of the customers. The company has said they are going to file  
23 their MFRs by no later than September 17th, and they have said  
24 it will include a request both for interim rates using an  
25 historical 2006 test year, as well as final rates using a

1 projected 2008 calendar year for a test year.

2           The recommendation before you today would add or,  
3 likely add, to the base rates that the company will be seeking  
4 in the full rate case. The company's use of a forecasted 2008  
5 test year will include the full effect of all storm  
6 strengthening measures that the Commission has told all the  
7 electric companies to pursue. If you grant the staff's  
8 recommendation in this case, then in addition to a full year of  
9 storm hardening, you are also going to have a portion of  
10 historical storm strengthening costs at the same time. To the  
11 extent they incur costs now and they are deferred and put into  
12 the test year, you will have those costs, which will likely be  
13 amortized over some period, say five years, but you are going  
14 to have a portion of historical costs as well as a full year of  
15 projected costs in the permanent base rates that the company  
16 set. In other words, base rates would have more than a year's  
17 worth of storm hardening costs in them if you grant the staff's  
18 recommendation in this case.

19           The proposal staff has made in this case has not been  
20 given to any other electric company, and I think it sets a very  
21 bad precedent. Because if you were to do this to all the other  
22 electric companies, you could see an increase in their rates  
23 when those companies come in for rate cases.

24           Florida Public Utilities has already taken all  
25 measures that are available to it, and the customers are going

1 to take a hard hit in the coming months as they pursue the fuel  
2 increases and their full rate case. We would ask you to not  
3 add to that by going with the staff recommendation and to  
4 simply deny their request for separate charges or deferral of  
5 costs in this case.

6 Thank you. I will be glad to answer any questions.

7 CHAIRMAN EDGAR: Mr. Horton.

8 MR. HORTON: Thank you, Madam Chairman. I'm Norman  
9 H. Horton, Jr. on behalf of Florida Public Utilities Company,  
10 and with me is Ms. Cheryl Martin with FPUC, and also some other  
11 representatives, Mr. Cutshaw and Mr. Myers.

12 We support the staff recommendation. We also support  
13 the Commission's efforts with the storm hardening initiatives.  
14 We recognize the value of those initiatives. Indeed, we do now  
15 conduct regular maintenance, the trimming, the inspections,  
16 portions of the -- part of the hardening initiatives. The  
17 problem with the implementation of all the storm hardening  
18 initiatives is that there is a cost to them, and it's  
19 financially burdensome to us to implement all of those over and  
20 above those that we are doing now.

21 The cost to implement the full set of initiatives is  
22 significant. It is over and above what we now do. We have not  
23 earned within our range, last authorized range, for several  
24 years, and to impose these costs or to implement these plans  
25 and incur these costs at this point simply make a bad situation

1 worse for FPUC.

2           And we identified this from the outset. We suggested  
3 some options throughout the workshop process, the meetings, the  
4 filings, and we made this filing last year, almost a year ago,  
5 last September we submitted this request that is before you  
6 now. We support the staff recommendation. As long as there is  
7 a cost-recovery mechanism associated with the implementation of  
8 the plans, or vice versa, if the implementation of all the  
9 plans over and above what we are doing now is deferred without  
10 having to incur additional costs, we are prepared to go forward  
11 with that.

12           We are concerned -- Mr. Beck mentioned the costs that  
13 some of our customers are going to be seeing in the next few  
14 months. We are very aware of that. We have been for two  
15 years. You have heard us before, we are very concerned about  
16 the effect on the customers, but we are also in a position that  
17 we believe that the information, the data, we are just not  
18 earning where we're authorized to earn. And, you know, a rate  
19 case is something that we made the decision on recently. It's  
20 almost a last effort. We believe that the staff recommendation  
21 should be adopted.

22           One last thing. The deferral that the staff has  
23 proposed is not unique. It's not unusual to defer -- have  
24 deferrals to the account such as staff is recommending. So  
25 it's not something that is unique to this case, and we would

1 urge you to accept the staff recommendation.

2 CHAIRMAN EDGAR: Thank you.

3 I have a question for staff. Can you give me, give  
4 us, some examples of when we have used this deferral type  
5 accounting treatment on past items or issues?

6 MS. GERVASI: Yes, Commissioner.

7 The Commission has on several occasions used the  
8 deferral accounting method. An example that I pulled was from  
9 a Florida Power Corp case in 1992 where the company had a  
10 funded reserve, and the Commission required them to go to an  
11 unfunded reserve. And in so doing the Commission required the  
12 company to liquidate all investments within the funded reserve  
13 upon maturity, or sooner if economically feasible, and told the  
14 company that any gains on sale associated with those  
15 investments would be placed in a deferred account until the  
16 next rate case, during which time the disposition of those  
17 gains would be determined. That's just one example of when the  
18 Commission has done this.

19 There are also some cases where the Commission was  
20 asked to defer -- doing a deferred accounting treatment for  
21 something, and the Commission declined to do it, stating that  
22 deferred accounting is not typically a method that is used in  
23 an ordinary case where a company is asking for deferral  
24 accounting of something, a cost that they incur during the  
25 ordinary course of business. The Commission has determined

1 that that is not appropriate.

2 But in this case where the company is being required  
3 to comply with a Commission order mandating them to increase  
4 their storm hardening initiatives, and because of the fact that  
5 they are underearning, we believe that those circumstances  
6 would warrant this kind of deferral accounting treatment.

7 CHAIRMAN EDGAR: Thank you.

8 Commissioner Carter, did you have a question?

9 COMMISSIONER CARTER: Thank you, Madam Chairman, just  
10 a couple.

11 Mr. Beck, good morning. As I understand what you are  
12 saying is that to allow this process, based upon staff  
13 recommendation, would be to allow -- this is my term -- double  
14 payment by the ratepayers in this case?

15 MR. BECK: You're talking about --

16 COMMISSIONER CARTER: I understand, that was my word.

17 MR. BECK: It would allow the company, or it would  
18 virtually require, in fact, that in the test year that there  
19 would be more than one year's worth of storm strengthening  
20 expenses included. You would have the full forecasted amount,  
21 the full implementation of it, and then in addition to that,  
22 you would be adding in some of the past storm hardening costs  
23 through the deferral. So you are going to wind up with more  
24 than a year's worth of storm hardening costs in the test year.

25 COMMISSIONER CARTER: If I may follow up?

1 CHAIRMAN EDGAR: Uh-huh.

2 COMMISSIONER CARTER: Thank you, Madam Chair.

3 So what is the net effect on the ratepayers?

4 MR. BECK: It's higher rates, higher base rates,  
5 higher permanent base rates if you go with the staff  
6 recommendation as opposed to not.

7 CHAIRMAN EDGAR: Plus interest?

8 MR. BECK: Well, plus the interest that you would  
9 allow in the deferral, yes.

10 COMMISSIONER CARTER: Thank you.

11 CHAIRMAN EDGAR: Commissioner McMurrin.

12 COMMISSIONER McMURRIAN: Thank you. And I wanted to  
13 follow up on that with staff, as well, because I just wanted to  
14 make sure I understand correctly and I want to understand the  
15 accounting.

16 Mr. Beck is saying we would end up with a full year  
17 of the test year as well as this deferred part. Can you help  
18 me understand that, because I have the same concern he does.

19 MR. SLEMKEWICZ: Well, when they would come in for  
20 their projected test year, and assuming 700,000 -- we will just  
21 assume \$700,000 is the number that they are going to be asking  
22 for on an annual basis, they would have \$700,000 in 2008 for  
23 the test year. Prior to that, they would be deferring some  
24 actual costs that they would be spending, you know, between now  
25 and the end of this year. After we would review that and

1 determine that, you know, it is reasonable and prudent, we  
2 would amortize those costs over some period, and it could be  
3 five years, it could be ten years, three years, whatever is,  
4 you know, reasonable based on the circumstances. But that  
5 little increment would be added to the 700,000 in the test year  
6 so that -- and just say it is \$20,000, so the expenses for the  
7 test year would be 700,000 plus 20,000. So it would be  
8 720,000 that would be built into permanent rates.

9 COMMISSIONER McMURRIAN: A follow-up on that.

10 So that would be higher permanent rates. It wouldn't  
11 be that once that amortization was done with that base rates  
12 would be lowered in any way. The customers would be still be  
13 paying based on that 700,000 in the test year and that portion  
14 of historical.

15 MR. SLEMKEWICZ: That's correct unless we, you know,  
16 put a provision, you know, in the rate case that once the  
17 amortization is concluded that the rates would be decreased.  
18 That is done like in water and wastewater when they amortized  
19 rate case expense. We don't do that in electric. You know,  
20 rate case expense is just amortized in and it remains in base  
21 rates. But that is, you know, statutory -- I am advised that  
22 that is, you know, a statutory requirement for water and  
23 wastewater.

24 COMMISSIONER McMURRIAN: Can I follow up?

25 CHAIRMAN EDGAR: Yes, ma'am.

1           COMMISSIONER McMURRIAN: Is there a reason we can't  
2 do that in electric?

3           MR. SLEMKEWICZ: I would have to defer to the lawyer  
4 on that one.

5           CHAIRMAN EDGAR: Ms. Gervasi.

6           MS. GERVASI: I know there is no expressed statutory  
7 authority, but I don't know of a reason why the Commission  
8 couldn't decide to require the company to file a tariff to  
9 exclude those costs once the amortization period ends.

10           COMMISSIONER McMURRIAN: Well, I guess maybe another  
11 question would be what are our options as opposed to setting --  
12 realizing that we are not at that point yet, but I think  
13 Mr. Beck makes a good point, but is there any other way to  
14 address the costs that the company is already incurring? I  
15 know we have several alternatives here, and that you have  
16 proposed this one. But if we are concerned about having higher  
17 base rates set than would otherwise be necessary, either I  
18 think we should look at some way to take care of that after the  
19 amortization is over and reduce them back down or we have  
20 allowed too much recovery in base rates. But, you know, that  
21 is just me speaking.

22           But are there other ways to handle that and make sure  
23 that the company is reimbursed for prudent costs spent on the  
24 Commission's directive? Are there other ways to do that or is  
25 the best way to address it to look to have some period of time

1 where base rates would reduce in the future once we get to that  
2 stage?

3 MR. SLEMKEWICZ: I think the only way that, you know,  
4 we could address that is to give them an immediate increase now  
5 or defer it and let them recover it over some period of time in  
6 the future.

7 COMMISSIONER McMURRIAN: Mr. Beck, do you have any --

8 MR. BECK: Oh, yes. The other option is you could  
9 simply deny the request. The matter you are addressing is  
10 whether that is part of permanent base rates, and I imagine  
11 there are some things you could do to address that. But it is  
12 still higher rates, and what you are doing is deferring current  
13 costs to a future period. And the bulk of the storm  
14 strengthening costs for Florida Public Utilities is additional  
15 tree trimming. I mean, that is just a current expense. It is  
16 an expense that should be expensed rather than deferred for  
17 future periods.

18 COMMISSIONER ARGENZIANO: Madam Chairman, may I ask a  
19 question?

20 CHAIRMAN EDGAR: Commissioner Argenziano.

21 COMMISSIONER ARGENZIANO: And forgive me, I need  
22 probably a little refreshing. What does the company already  
23 recover for hurricane storm hardiness? What are they doing and  
24 what additional are we asking them to do?

25 MR. McNULTY: Yes, Commissioner, Bill McNulty with

1 staff.

2           There is already some built in -- like I say, let's  
3 start with vegetation management. The company already does  
4 vegetation management, obviously, and they have a set number of  
5 crews that are in the base rate today. So already being  
6 recovered and already being implemented by the company is a set  
7 number of crews, and they have five crews. The company would  
8 like with this filing to add three additional crews to have a  
9 total of eight crews to comply with our order from last year in  
10 which we said that we wanted a three-year feeder trim cycle and  
11 a three-year lateral trim cycle, unless you can make a showing  
12 of savings with respect also to reliability. So that is one  
13 example of what the company is already doing.

14           They are already inspecting their poles, but they are  
15 not inspecting their poles in the way that we had established  
16 per our order last year on pole inspections. So, you know,  
17 when it gets to the question of storm hardening, the company  
18 had a procedure in place for doing many of these things which  
19 they had already implemented, but we raised the bar with our  
20 orders last year. We said that more needed to be done and  
21 sometimes different things needed to be done, and that's what  
22 the company's filing is about. They basically have represented  
23 that the incremental costs associated with the requirements of  
24 the order would be \$711,580, and that is for those incremental  
25 activities that they would have to pursue to comply with our

1 order.

2 CHAIRMAN EDGAR: Thank you, Mr. McNulty.

3 Commissioner Argenziano, do you have an additional  
4 question?

5 COMMISSIONER ARGENZIANO: Well, I'm just trying to  
6 figure out, you know -- I guess that helped. I'm just trying  
7 to figure out if the order of the PSC, you know, can be  
8 modified rather than -- I understand that the company -- this  
9 would be an undue burden on them, and also I think it would be  
10 an undue burden on the consumer. So I didn't know if there was  
11 any way of adjusting, you know, the requirements that the  
12 Commission placed upon them, or if the requirements were  
13 absolutely necessary and should be done now.

14 CHAIRMAN EDGAR: Mr. McNulty.

15 MR. McNULTY: Yes.

16 Commissioner, I think that one of the things that the  
17 company had proposed was doing, perhaps, a little less  
18 vegetation management than what was proposed. That's one  
19 option, is to scale back, but you still end up with the company  
20 having a difficult financial situation today and having to do  
21 more without more funds.

22 The other option that, I guess, is pretty apparent  
23 is -- and I think you alluded to, which is to defer these  
24 activities until such time that compensatory rates can be put  
25 into place for the company in the context of the rate

1 proceeding. So I don't think the company has suggested, and  
2 certainly staff isn't suggesting that these activities that  
3 were put forth by the company in their plan not be done. We  
4 feel strongly that the storm hardening activities of each of  
5 the investor-owned utilities needs to be pursued. It was  
6 carefully considered last year. We do feel as though we are in  
7 a period of increased storm activity, and it's the prudent  
8 thing to do to harden the systems throughout Florida.

9 COMMISSIONER ARGENZIANO: Sure. Thank you.

10 CHAIRMAN EDGAR: Thank you.

11 Commissioners, further questions?

12 Commissioner McMurrian.

13 COMMISSIONER McMURRIAN: Thank you.

14 So when we proceed to the rate case that I presume is  
15 coming with the filing of the MFRs later, at that point we will  
16 make a decision on the appropriateness of these dollars that we  
17 are talking about today, these historical dollars as well as  
18 the appropriate amount to set for the test year for this kind  
19 of activity. That's correct, right?

20 MR. SLEMKEWICZ: That's correct.

21 COMMISSIONER McMURRIAN: So today we are just finding  
22 a place to put those dollars aside or at least the company's  
23 proposed dollars, but we wouldn't be making a decision about  
24 the exact amount until that point in the case?

25 MR. SLEMKEWICZ: That's correct. We are not

1 approving any of the costs. We are just deferring those costs,  
2 and we will consider them in the rate case and review them at  
3 that time.

4 COMMISSIONER McMURRIAN: Okay. I also have a couple  
5 of quick questions for the company, if that's okay.

6 CHAIRMAN EDGAR: Yes, ma'am.

7 COMMISSIONER McMURRIAN: Mr. Horton, I know that you  
8 were at the Marianna customer meeting, and there were some  
9 points brought up there, and Staff has highlighted those on  
10 Page 2. But one of the ones particularly I wanted to ask about  
11 was the additional deposits to secure the accounts, because I  
12 have sort of wondered about that a little bit since we've had  
13 that customer meeting. There were a couple of customers at  
14 least that mentioned some concerns that they were suddenly  
15 getting additional deposit requests. Can you just explain  
16 what's going on with that for my benefit?

17 MR. HORTON: We're swapping off here. Mr. Don Myers  
18 is the division director for Marianna, and he's familiar with  
19 that.

20 MR. MYERS: Yes. Under our current procedures, we  
21 are required to review accounts based on a number of things.  
22 It was whether they have any delinquencies, if we have had any  
23 checks returned for nonsufficient funds, or any late payments.  
24 And we currently do reviews on those accounts. And back in  
25 February we had almost 2,900 accounts that fell under those

1 three criteria that we sent out letters for requesting  
2 additional deposits put on them.

3 COMMISSIONER McMURRIAN: And that is consistent with  
4 the procedures that your company has been using in the past, or  
5 is this a change in procedure? Because the customers seemed to  
6 be suggesting, or at least the way I took it was that that was  
7 different than the way it had been done in the past. And I  
8 just wanted to see if there had been a shift in the policy at  
9 the company or with the Commission.

10 CHAIRMAN EDGAR: Commissioner McMurrrian, if I may, as  
11 I recall there was -- I'm trying to think of the right --  
12 animated. I couldn't think of the right description --  
13 animated discussion and concern expressed by some of the  
14 customers that were at that public hearing, and much of it  
15 seemed to surround a particular letter that went out to  
16 customers kind of laying out what was -- my perception of what  
17 was being said was as a change in policy. So maybe if you  
18 could speak to that a little bit as well in responding to  
19 Commissioner McMurrrian's question.

20 COMMISSIONER McMURRIAN: Thank you.

21 MR. MYERS: This is not really a change in policy;  
22 this was just us following policy. We had never done that  
23 residential deposit increase or requested residential deposit.  
24 That was a failure on our part in the past. We had not done  
25 that. We have done it on commercial accounts in previous

1 years, but we had not done that at a residential level. So we  
2 are just following our policy more strictly.

3 COMMISSIONER McMURRIAN: Thank you, Mr. Myers. That  
4 was my impression of what had happened, but I'm glad to get the  
5 clarification because I don't think we got it.

6 COMMISSIONER ARGENZIANO: Madam Chair, to that point.

7 CHAIRMAN EDGAR: Commissioner Argenziano.

8 COMMISSIONER ARGENZIANO: Just so I understand this a  
9 little better, the utility is saying that they have increased a  
10 deposit to already existing customers and there are certain  
11 criteria met for the increase, am I right?

12 CHAIRMAN EDGAR: Mr. Horton.

13 MR. MYERS: Yes. The letters that were sent out,  
14 some customers had no deposit with us at that time, and we  
15 asked for a deposit. Some customers we felt that the deposit  
16 they had on account with us was insufficient.

17 COMMISSIONER ARGENZIANO: And there is a reason to, I  
18 guess, up the deposit, feeling it was insufficient. Were they  
19 bad customers, not paying on time, was there a reason?

20 MR. MYERS: They had either got a delinquency account  
21 where they were going to be turned off at least one time.  
22 There was another requirement that, you know, if they were late  
23 two or more times in the past year that was another  
24 requirement. And a third one was they just had -- I can't  
25 think of the term. It just slips my mind, but it's if they --

1 nonsufficient check, if they ever wrote us a check for  
2 nonsufficient funds that was a third requirement.

3 COMMISSIONER ARGENZIANO: Thank you.

4 CHAIRMAN EDGAR: Commissioner McMurrin.

5 COMMISSIONER McMURRIAN: On a different note, with  
6 respect to the customer meeting at Fernandina Beach there was a  
7 lot of discussion about your storm hardening plan as I  
8 understand it. And I just wanted to see if you could give us  
9 an update of the status of your storm hardening plan, and more  
10 importantly, your efforts to reach out to the City of  
11 Fernandina Beach and any other municipalities or anything that  
12 would be affected in your area.

13 MR. CUTSHAW: I'm Mark Cutshaw from the Fernandina  
14 Beach area.

15 I did attend the meetings and have had frequent  
16 conversations recently with the City of Fernandina Beach, and I  
17 think there was a lot of lack of communication maybe on our  
18 part communicating to them what the storm hardening initiatives  
19 were. In communicating to them that there were ten storm  
20 initiatives, I think they took that to another level that was  
21 what would we be putting underground. Their desire was not to  
22 cut trees and instead to put it underground. And what they  
23 were asking from us was more what areas are you going to put  
24 underground as opposed to the storm hardening initiatives.

25 So we have talked through those details. We have

1 ensured that we attended the meetings they have for the  
2 undergrounding committee. We are talking to them weekly. And  
3 our commitment to them was we would work together to identify  
4 what areas made sense to put underground.

5           They understand the requirements and all the  
6 obligations surrounding that, but our concern was from the  
7 company perspective to identify an area that we would put  
8 underground was not really the proper approach. So we are  
9 working with them together, in a joint effort to decide what  
10 undergrounding needs to be done and in what areas. So we have  
11 talked more with them at length about the storm initiatives and  
12 the undergrounding efforts.

13           COMMISSIONER McMURRIAN: Thank you, Mr. Cutshaw.

14           And I guess one final comment, if I may, Chairman.

15           You know, we talk a lot about how you are a smaller  
16 utility, and I think that also has its advantages. And I think  
17 the reason I brought the deposit thing to light was just  
18 because I think that you have had a good relationship with your  
19 customers, many of them noted that at the customer hearing I  
20 was at. Just try not to lose that. I mean, I think the  
21 personal touch to the extent that you can keep it is valuable,  
22 and I think they expressed that. And I realize that that is  
23 not always workable, but to the extent that you can continue  
24 that, I think that would be highly advantageous to you.

25           MR. CUTSHAW: I very much agree, and I think the

1 company as a whole understands that is an advantage. We have  
2 had very competitive rates in the past, but based on the new  
3 fuel contracts, the storm initiatives, our financial  
4 performance the last few years, we have had some challenges to  
5 overcome. But I think as we work through this we will continue  
6 to have that face-to-face relationship with the customers.

7 COMMISSIONER ARGENZIANO: Madam Chair.

8 CHAIRMAN EDGAR: Commissioner Argenziano.

9 COMMISSIONER ARGENZIANO: Was there any discussion  
10 from any consumers who attended the meeting that this would be  
11 an undue hardship to them?

12 CHAIRMAN EDGAR: Commissioner Argenziano, I was at  
13 both of those customer meetings, and there were a number of  
14 things expressed. There were customers who -- and in fairness,  
15 there were not -- the room was not packed, let me put it that  
16 way. But of the customers who attended both, there were  
17 comments expressed that with the number of things that are  
18 going up, gas prices and other things, that any additional  
19 monthly charge would be a hardship, particularly at the  
20 Marianna customer meeting I think there was more of that  
21 concern expressed.

22 There was also comments expressed that FPUC has  
23 generally performed good service and been a good utility. We  
24 certainly heard those comments. One comment in particular that  
25 gave me some consternation was at the Fernandina Beach customer

1 meeting when one of the customers expressed that they had been  
2 asking for a copy of the storm hardening plan and had either  
3 not been given it or had not been given any response. And  
4 that, again, was of particular consternation to me, because I  
5 was aware that the storm hardening plan was due to the  
6 Commission in just a few days after that point. So I think  
7 that goes to that instance of additional communication that the  
8 utility has just addressed.

9 COMMISSIONER ARGENZIANO: Thank you.

10 CHAIRMAN EDGAR: Commissioner Carter.

11 COMMISSIONER CARTER: Madam Chairman, this is just  
12 for staff. You listened as I -- you heard Mr. Beck's  
13 presentation, and you heard our questions to him. Let me ask  
14 you this, what is the net effect of the recommendation by the  
15 Office of Public Counsel in this case?

16 MR. SLEMKEWICZ: I don't want to speak for him, but  
17 it would appear that to deny our recommendation the company  
18 would just have to expense the costs as incurred.

19 COMMISSIONER CARTER: What does that mean?

20 MR. SLEMKEWICZ: Well, that would decrease their  
21 earnings. If you defer it, it does not affect their earnings  
22 level. They still spend the money, but they do not -- it does  
23 not effect their earnings or rates.

24 COMMISSIONER CARTER: What was the last thing?

25 CHAIRMAN EDGAR: Commissioner Carter, why don't you

1 try again?

2 COMMISSIONER CARTER: I'm trying to find out what  
3 impact will it have on the ratepayers?

4 MR. SLEMKEWICZ: There will be no impact on the  
5 ratepayers. It's all on the company.

6 CHAIRMAN EDGAR: We will give a moment.

7 MR. DEVLIN: Can I give it a shot, Commissioner  
8 Carter?

9 CHAIRMAN EDGAR: You may.

10 MR. DEVLIN: I believe the effect on the ratepayer  
11 would be that under Mr. Beck's proposal the company would not  
12 recover costs expended from this point to the point of the rate  
13 case, so there would be no opportunity to recover those costs  
14 from the ratepayers. So you could say that would be an  
15 advantage to the ratepayers. They would not be on the hook for  
16 any costs that were incurred by the company from this point  
17 forward to the rate case. That, to me, is the bottom line on  
18 the effect to the ratepayer.

19 Whereas, if we deferred those costs, which is our  
20 recommendation because we think it is reasonable to afford the  
21 company an opportunity to recover reasonable and prudent costs,  
22 there could be an increase effect on the ratepayers in the  
23 future, not today but in the future when the rate case is  
24 settled. So the bottom line effect, I think, of Mr. Beck's  
25 proposal is the company would basically eat any costs that they

1 would incur from this point to the point of the rate case.

2 COMMISSIONER ARGENZIANO: Madam Chair, could I hear  
3 from Mr. Beck on that?

4 CHAIRMAN EDGAR: Well, Commissioner Argenziano, I was  
5 just about to do that.

6 Mr. Beck, could you --

7 MR. BECK: The choice of words is interesting that  
8 the company would eat it. What I am proposing is that the  
9 company expense current expenses, which are tree trimming  
10 expenses in the vast majority of the storm hardening, that's my  
11 proposal, and the effect is --

12 CHAIRMAN EDGAR: Mr. Beck, I'm sorry. Would you say  
13 that one more time and a little slower, please.

14 MR. BECK: I'm sorry.

15 CHAIRMAN EDGAR: That's okay.

16 MR. BECK: My proposal is that the company expense  
17 current expenses for tree trimming, that's the proposal as  
18 opposed to staff's proposal which defers current expenses for  
19 tree trimming. It is not all tree trimming, but most of it is.  
20 Staff proposes that you defer that, and that they recover that  
21 through an amortization of those deferred costs in the future.  
22 The staff's proposal would lead to higher rates; my proposal  
23 would not.

24 MR. SLEMKEWICZ: Could I make a comment?

25 We are not proposing that their current -- what they

1 normally do for tree trimming be deferred. It is only the  
2 incremental costs that we are suggesting be deferred.

3 CHAIRMAN EDGAR: And am I correct that the amount of  
4 those incremental costs is unknown at this time since they have  
5 not been implemented or the activities that would incur the  
6 costs have not been implemented; therefore, we are not in a  
7 position to know exactly what that amount would be from this  
8 time to a date specific?

9 MR. SLEMKEWICZ: No, we do not know the exact -- you  
10 know, what amount it would be. It would be some portion of  
11 that, you know, proposed \$700,000 that they would spend on an  
12 annual basis.

13 CHAIRMAN EDGAR: Thank you.

14 COMMISSIONER ARGENZIANO: Madam Chair.

15 CHAIRMAN EDGAR: Commissioner Argenziano, just a  
16 moment.

17 Commissioner McMurrin.

18 COMMISSIONER McMURRIAN: I have one question. I  
19 guess it is somewhat related. With respect to alternative  
20 methods to comply with the Commission's past order, I realize  
21 that the company plans to file MFRs. I think it is in  
22 September. If the company were to gather data or to come up  
23 with some alternative method of complying with that order going  
24 forward -- I mean, there is nothing that prevents them from  
25 doing that still, is there? I realize that there was some

1 point in the process where that option was available to all  
2 companies, and I believe FPL and Gulf both proposed alternative  
3 methods. But I just wanted to ask it because in case there are  
4 still options to where they can feel like they reasonably  
5 comply but also save the ratepayers, would that still be an  
6 option available to them?

7 MS. GERVASI: Yes, Commissioner. If there is another  
8 means of recovery that the company comes up with and wants the  
9 Commission to consider, there is no reason why that couldn't  
10 happen.

11 MR. HORTON: Madam Chairman, may I --

12 CHAIRMAN EDGAR: Mr. Horton.

13 MR. HORTON: Thank you.

14 First of all, I think the effect of what Mr. Beck is  
15 proposing has been readily identified, and that is that we  
16 would eat those expenses. We are looking at having to put in  
17 plans that require to comply with the Commission's orders, but  
18 we are not receiving any revenue to do that. That's our  
19 concern. We are already below our rate of return, we have  
20 been, and that is the issue. If we put the plans in, if we  
21 have the revenue to go with that, that's fine.

22 We have proposed some other alternatives in our  
23 petition for the limited proceeding. One is simply to defer  
24 implementation of the initiatives. I know that's not as  
25 palatable to some as it might be, but to defer implementation

1 of the initiatives. We would, of course, continue to do what  
2 we are currently doing, and if we can do any more, we will,  
3 within our ability to do so. But that's an alternative.

4           The other is to use some of our current storm reserve  
5 to pay some of those costs, and that's mentioned in staff's  
6 recommendation, as well. But the fact is that we are being  
7 required to implement something that is costing the company  
8 some money that we just do not have right now, and we are  
9 looking for relief. That's why we asked for the limited  
10 proceeding to get the relief.

11           Thank you.

12           CHAIRMAN EDGAR: Thank you, Mr. Horton.

13           Mr. Beck, could you speak to that?

14           MR. BECK: Certainly.

15           I think one of the issues that really underlies a lot  
16 of this is the issue of regulatory lag. Regulatory lag cuts  
17 both ways in many occasions. When companies earn in excess of  
18 an allowed rate of return, that it very frequently takes six to  
19 nine months before the parties or the Commission can do  
20 anything about it. They have to overearn, or a company would  
21 have to overearn for some time, would have to be reported,  
22 which usually includes a delay of two to three months, and then  
23 action has to be taken. So when the company is overearning  
24 there is -- I would say six to nine months, even a year's worth  
25 of delay before action is taken to capture that.

1           Now, in this case you have it cutting the opposite  
2 way, which cuts against the company, that there are expenses  
3 that they are incurring and they want to raise their rates to  
4 do it. And there is a process that's followed for a company to  
5 address that. One is a rate case. The company is doing that.  
6 They have committed they are going to file one in September.  
7 There is interim rates, and the company has said they are going  
8 to seek interim rates as well. So they are taking all of what  
9 are the normal regulatory tools available to a company to  
10 pursue that.

11           Now, it's up to the company to file those things,  
12 it's not anyone else's burden of going forward with that. The  
13 company decides how they are going to do this and when they are  
14 going to file. They could have filed their rate case six  
15 months ago. I'm not suggesting they should have done that, I  
16 wouldn't have liked it if they had done that, but the point is  
17 it is up to the company to do that. And they are pursuing all  
18 the items that are out there. You know, sooner or later the  
19 pot is going to get right, because they are going to seek  
20 interim rates and final rates.

21           So this is regulatory lag, and it simply cuts both  
22 ways. Sometimes the companies benefit from regulatory lag,  
23 sometimes they don't. In this one they don't. And I think it  
24 should cut both ways. You should simply deny this petition and  
25 let them go forward with their rate case and decide the issues

1 as they come up in that case.

2 CHAIRMAN EDGAR: Commissioner Argenziano, I think you  
3 had a question earlier.

4 COMMISSIONER ARGENZIANO: Yes, and it goes to the  
5 point that Mr. Beck just made. Staff seems to be recommending  
6 that not the current tree trimming and storm hardiness be  
7 deferred, but additional that was put on by the Commission.  
8 And my question to Mr. Beck was that I didn't hear him saying  
9 that they should not recover those costs. And I believe what  
10 he just said was that they can recover those costs in their  
11 upcoming rate cases, and I think that is what he just said, and  
12 I just wanted to confirm that.

13 CHAIRMAN EDGAR: Mr. Beck.

14 MR. BECK: Certainly, Commissioner. They are going  
15 to request that, and I'm very positive about the steps the  
16 Commission is taking to increase the storm strengthening  
17 measures that the companies have to take, and one of them is  
18 tree trimming. In the case it will certainly be an issue  
19 whether the company is implementing it in a prudent way and  
20 whether their estimated expenses are reasonable estimates of  
21 those expenses. I think all of those issues are up for grabs.  
22 But the fact that they are doing the tree trimming and  
23 complying with Commission orders, of course, they will seek  
24 that in the rate case, and we wouldn't -- we are not going to  
25 oppose the company implementing the procedures that the

1 Commission has required. We may take issue with the level of  
2 costs.

3 COMMISSIONER ARGENZIANO: Got you. Thank you.

4 CHAIRMAN EDGAR: Mr. Horton, I know you wanted an  
5 additional response.

6 MR. HORTON: If I may.

7 CHAIRMAN EDGAR: You may.

8 MR. HORTON: Thank you.

9 First of all, we did file a petition for limited  
10 proceeding last year to seek to get the revenues that would  
11 allow us to proceed with that, so we followed that. Mr. Beck  
12 spoke to the regulatory lag and overearnings, and in  
13 overearnings proceedings I have been involved with, the company  
14 has refunded any overearnings that have accrued. So it's not a  
15 matter of them getting to keep anything. Money is refunded.  
16 It doesn't work the same way. If we are required to proceed  
17 right now, this is money that we will not recover and that's  
18 the issue.

19 COMMISSIONER ARGENZIANO: Madam Chair.

20 CHAIRMAN EDGAR: Commissioner Argenziano.

21 COMMISSIONER ARGENZIANO: I thought I just heard the  
22 opposite, that you would be able to recover that in upcoming  
23 rate cases.

24 CHAIRMAN EDGAR: Mr. Horton.

25 MR. HORTON: If they approve staff's -- if you

1 approve staff's recommendation, yes; but not if you accept  
2 Mr. Beck's recommendation, no.

3 COMMISSIONER ARGENZIANO: So then, Madam Chair, if I  
4 may.

5 CHAIRMAN EDGAR: Yes.

6 COMMISSIONER ARGENZIANO: Mr. Beck, the question  
7 falls again to you.

8 Are you saying that the company should not be able to  
9 recover the cost that the Commission has -- the issues that  
10 the Commission has asked them to do?

11 MR. BECK: I'm saying they should be able to recover  
12 that on a going-forward basis in accordance with the procedures  
13 that any company can recover. The effect of that will be there  
14 will be a time period where they will have to cover the  
15 expenses right now out of their current earnings. So there  
16 will be a time lag before they can do it. And what I'm saying  
17 is that cuts both ways at different times.

18 When a company is overearning -- I don't agree with  
19 Mr. Horton that when a company is overearning the refunds don't  
20 come to customers until regulatory action is taken to capture  
21 that. And oftentimes that can be six, nine, or even twelve  
22 months before that happens. In this case there will be a time  
23 lag before the company can recover the increased expenses of  
24 the increment for additional storm hardening procedures. And  
25 it is just cutting the same way as an overearnings one, except

1 this time it cuts against the company. But they will catch up  
2 with that. They will catch up with it in the rate case, which  
3 they have already said they are filing.

4 COMMISSIONER ARGENZIANO: Thank you.

5 CHAIRMAN EDGAR: Commissioner McMurrin.

6 COMMISSIONER McMURRIAN: This is for Mr. Beck.

7 I guess, Mr. Beck, I understand what you are talking  
8 about regulatory lag, but the company did file in October of  
9 '06. So I guess if they were just sitting there and waiting to  
10 file MFRs in September of this year, I guess I would be more  
11 inclined to agree with you.

12 MR. BECK: Well, it is their choice, what they -- I  
13 understand that. But it is their choice what they file. And  
14 filing for a single issue, I think there is always risk with  
15 that. You know, they are singling out what is otherwise a  
16 normal operating cost. I mean, tree trimming is something that  
17 electric companies do. The Commission has increased the level  
18 of tree trimming, and I think properly so. I mean, I'm in  
19 favor of the actions the Commission has taken. But that is  
20 just a normal operating expense of an electric company, and the  
21 regulatory procedures to deal with that, in my mind, are a rate  
22 case, which they are doing. It is the time period, I  
23 understand, that is at issue in this case.

24 COMMISSIONER McMURRIAN: One more question for the  
25 company.

1           CHAIRMAN EDGAR: Commissioner McMurrian.

2           COMMISSIONER McMURRIAN: I think the question I asked  
3 earlier, perhaps I wasn't clear about what I was asking, so I  
4 will just ask the company this time. Did your company consider  
5 alternative methods to comply with the Commission's order? I'm  
6 not talking about alternative methods for recovery. I'm  
7 talking about alternative methods to comply with the tree  
8 trimming and other requirements that the Commission laid out,  
9 and how did that -- because, of course, we gave that  
10 opportunity to any company, and I don't believe we ever heard  
11 an alternative proposed from your company.

12           MR. CUTSHAW: On two of the initiatives, the pole  
13 inspection program and also the vegetation management,  
14 initially we did file for a reduced level of both. We  
15 initially had filed a request to trim the feeders every three  
16 years and the laterals on a five-year amount. We were also --  
17 on the pole inspections, on the CCA poles that were less than  
18 ten years old, we were not going to do the excavation or  
19 inspection of those based on past performance.

20           The challenge we had was providing data that showed  
21 that these things were not needed. Unfortunately, we were not  
22 able to come up with the data that showed a brand new -- or a  
23 ten-year-old CCA pole did not really need to be inspected. And  
24 we were not able to provide the reliability data to say that on  
25 a distribution lateral that the trim cycle could be every five

1 years. So based on the fact that we did not have substantial  
2 data to prove that, we backed off and went with the staff  
3 recommendation on the three-year cycle and the pole inspection  
4 program. So we were not able to provide proof, so that is  
5 where we are at today.

6 COMMISSIONER ARGENZIANO: Madam Chair.

7 CHAIRMAN EDGAR: Just a moment. Commissioner  
8 McMurrian had a follow-up, and then I will recognize you.

9 COMMISSIONER ARGENZIANO: Sure.

10 CHAIRMAN EDGAR: Commissioner McMurrian.

11 COMMISSIONER McMURRIAN: Thank you.

12 I guess now going forward to what you will be  
13 proposing in the base rate case, do you now have better  
14 data-gathering techniques to perhaps look at whether there  
15 might be some other alternative for complying with the  
16 Commission's order now? I realize we have passed that point,  
17 but in my mind you have an obligation to continue to look at  
18 the most cost-effective way to comply with those orders, and if  
19 you come up with some better way to do it that has less expense  
20 to the ratepayers, I think -- at least I would like to hear it.

21 So I'm asking are you continuing to look at perhaps a  
22 better way, a more cost-effective way of complying with that  
23 order in the future for those costs that you will be asking  
24 for recovery?

25 MR. CUTSHAW: Unfortunately, we don't really have the

1 data to say that without a doubt the ten-year-old CCA poles  
2 don't need to be inspected. One of the reasons -- because of  
3 that, we have not started that inspection process. If we had  
4 started the inspection process and had actually tested a  
5 certain amount of poles, we could use that data to say these  
6 poles historically are in good condition, we don't need to  
7 inspect those.

8           If we had increased our tree trimming to the level  
9 that we are talking about, we would have better data on  
10 trimming the laterals. We are not on the tree trimming to a  
11 three-year trim cycle. We are probably a four-and-a-half to  
12 five-year trim cycle based on what was approved in the last  
13 rate case. So we really don't have that data. We have not  
14 stepped off into the arena to start doing these things to  
15 collect the data. So, unfortunately, we still do not have that  
16 data to prove that.

17           CHAIRMAN EDGAR: Commissioner Argenziano.

18           COMMISSIONER ARGENZIANO: Yes.

19           Two questions, and one is to the data that I hear the  
20 utility saying that they just weren't able to compile. Has  
21 anyone else compiled that? Do we know that maybe some of these  
22 things don't need to be inspected as frequently as -- I hate to  
23 think that they were doing things that were costing more if it  
24 wasn't really necessary, even though I think storm hardiness is  
25 absolutely a necessity.

1           And part two, can either Mr. Beck or our staff  
2 indicate to me what the negatives would be besides the obvious  
3 ones of allowing the utility to use the storm reserve?

4           MR. McNULTY: Commissioner, addressing your first  
5 question. This is Bill McNulty with staff. We did review the  
6 plans that were filed by the other utilities related to CCA  
7 poles, and several of the utilities were also concerned about  
8 whether or not that type of pole at certain age requirements,  
9 say 15 years of age or younger, or 12 years of age or younger,  
10 or 20 years of age or younger, whether or not that class of  
11 poles actually needed to be inspected, or if their failure rate  
12 was so low as not gain any benefit from that.

13           And from our review of that, we determined that the  
14 CCA poles should be inspected, but that we -- along the lines  
15 of what the other poles were required to be inspected on the  
16 same time frame which would be, or cycle, if you will, 12 and a  
17 half percent a year or all poles once every eight years.  
18 However --

19           COMMISSIONER ARGENZIANO: Is that based on a failure  
20 rate or what was the basis?

21           MR. McNULTY: Well, we are in, I think, a period of  
22 testing. The various utilities have indicated that they are  
23 going to go forward and they are going to collect the data on  
24 the CCA poles now. And so that information is being collected  
25 for the purpose of determining whether or not they, indeed, do

1 have a much lower failure rate, which would obviate the need  
2 for having to inspect that class of poles on that frequent a  
3 schedule.

4 COMMISSIONER ARGENZIANO: Okay.

5 MR. McNULTY: So, that information is being  
6 collected.

7 COMMISSIONER ARGENZIANO: Okay.

8 MR. BECK: Commissioner Argenziano, I will try to  
9 part two.

10 I think if you went with the reserve, that the bottom  
11 line effect is essentially the same as what the staff is  
12 recommending, it is just a different way of getting there. So  
13 that if you charge the reserve, it would defer those costs in a  
14 different way to be collected in the future from customers. I  
15 think the effect is about the same.

16 COMMISSIONER ARGENZIANO: Thank you.

17 CHAIRMAN EDGAR: Commissioners, are there further  
18 questions?

19 Let me ask this to our staff. The staff  
20 recommendation is to temporarily defer with interest the cost  
21 of compliance and, again, as I asked and we spoke about a few  
22 moments ago, we don't know exactly the amount that would go  
23 into that deference, but can you speak to me about a slight  
24 modification there which would be temporarily deferring those  
25 costs, but yet with the direction to the utility to move

1 forward as we have directed all utilities to do, but to not  
2 allow the interest, realizing that during the rate case I would  
3 expect there will be some rate case expense that will be  
4 brought forward as part of that.

5 MR. SLEMKEWICZ: We could do that. Normally, if we  
6 ask them or direct them to defer something, we would normally  
7 give them interest. Sometimes we -- I'm not sure we have done  
8 that in every case. I can't cite one, not one comes to mind.  
9 But for the company, the alternative would be to have to  
10 expense that. So I think if you deferred it without interest  
11 that is still better than directing them to expense it  
12 currently.

13 CHAIRMAN EDGAR: If the amounts, whatever they would  
14 ultimately be, were to be approved to come out of the storm  
15 reserve, which, by the way, I'm not recommending, but just for  
16 the purposes of discussion, would that be an expansion of the  
17 use of the storm reserve prior to what it has been to date?

18 MR. SLEMKEWICZ: Yes, I believe it would. And it  
19 would permanently decrease the amount of the storm reserve so  
20 that they would have less funds available if they actually had  
21 a storm.

22 CHAIRMAN EDGAR: And I know that it is the first week  
23 of June.

24 Commissioners, further questions or further  
25 discussion at this point? Okay.

1           Commissioners, is there a motion?

2           Commissioner McMurrian.

3           COMMISSIONER McMURRIAN: I'll try it. Just a note  
4 for Mr. Beck.

5           Mr. Beck, I'm concerned about the same things you  
6 have raised, but I feel most comfortable, I think, with the  
7 staff recommendation as proposed here.

8           Chairman, your proposal about the interest I just  
9 hadn't thought about, but I definitely wanted to discuss that  
10 further. But I'm comfortable with some form of the staff  
11 recommendation, just because I believe that in this case it is  
12 because of a Commission initiative that was started, and the  
13 company did come forward at the end of last year with a limited  
14 proceeding. I realize that, perhaps, they should have come  
15 forward with a full rate case at that point, maybe that was the  
16 best way to do it, but I believe that that is for me the most  
17 fair way to proceed at this point. But with respect to the  
18 interest, perhaps I would like to hear more from you and other  
19 Commissioners about that proposal.

20           CHAIRMAN EDGAR: Commissioner McMurrian, thank you.

21           I recognize that it may not be a perfect option. I'm  
22 not sure that there is a perfect option with what we have  
23 before us, and I recognize that as a Commission, both as  
24 Commissioners and as staff, the utilities and all the  
25 consumers, we are learning as we continue to move through the

1 experiences and preparation that we have in reaction to the  
2 prior storms and in preparation for any future storms. And we  
3 have said before that we expect it to be an iterative process  
4 and to continue to learn from the experiences and continue to  
5 evaluate and make adjustments. I also recognize that FPUC is,  
6 you know, situated somewhat differently than the larger IOUs.

7           You know, the interest is probably -- I wouldn't  
8 expect it to be a large amount, obviously. I don't think we  
9 can put a dollar figure on it. Again, it is not a perfect  
10 option, but it is just a suggestion as a way to try to address  
11 a number of the concerns that have been raised, and in  
12 recognition of the financial issues that the Commission, excuse  
13 me, that the company has brought before us.

14           Commissioner McMurrrian.

15           COMMISSIONER McMURRIAN: I guess with that, I will  
16 move the staff recommendation with the modification that we  
17 don't include the interest at the commercial paper rate. I  
18 believe the rest of the recommendation as it stands would be  
19 accurate. So it would be a move staff recommendation on Issue  
20 1 with the change of removing the interest at the commercial  
21 paper rate, and on Issue 2 --

22           CHAIRMAN EDGAR: Which is a close the docket.

23           COMMISSIONER McMURRIAN: Close the docket. So I  
24 would move staff as modified.

25           CHAIRMAN EDGAR: Thank you, Commissioner McMurrrian.

1           Commissioners, is there discussion, a question, is  
2 there is a second?

3           Commissioners?

4           Okay. The motion dies for lack of a second.

5           Commissioners, is there an alternative motion?

6           COMMISSIONER CARTER: I move to deny staff's motion  
7 on this issue.

8           COMMISSIONER ARGENZIANO: Second.

9           CHAIRMAN EDGAR: Okay. Then let's look to staff for  
10 a moment as to basically where that would leave us.

11           Ms. Gervasi, we will start with you.

12           MS. GERVASI: I think, like Mr. Devlin said, where  
13 that leaves us is the company is required by Commission order  
14 to begin implementing ten storm initiatives and they are  
15 underearning now. You might want to think about whether or not  
16 it would be appropriate to recede from the requirement that the  
17 company begin those initiatives until after the rate case.

18           CHAIRMAN EDGAR: I don't think that was contained in  
19 the motion.

20           COMMISSIONER CARTER: No, it was not. If I may be  
21 heard.

22           CHAIRMAN EDGAR: Commissioner Carter.

23           COMMISSIONER CARTER: That was not contained within  
24 the motion. Secondly, there is discussion that other companies  
25 have come in and provided an opportunity to utilize the options

1 that were available to them, but this company chose not to do  
2 that. So the motion is as it is.

3 CHAIRMAN EDGAR: Thank you, Commissioner Carter.

4 Commissioners, any further discussion? Okay.

5 Seeing none. We have a motion, we have a second, we  
6 have had full discussion. All in favor of the motion say aye.

7 COMMISSIONER ARGENZIANO: Aye.

8 COMMISSIONER CARTER: Aye.

9 CHAIRMAN EDGAR: All opposed?

10 No.

11 Motion fails 2-to-3; 3-to-2, however you choose to  
12 add that up. The motion fails.

13 Okay. Commissioners, we have had two approaches go  
14 down in flames. Is there a third?

15 Commissioner Skop, do you have a comment?

16 COMMISSIONER SKOP: Yes, Madam Chair.

17 With respect to whether the motion passed or failed,  
18 I believe the vote was 3-2 in favor of the motion.

19 CHAIRMAN EDGAR: I heard you say no.

20 COMMISSIONER SKOP: Correct, but I believe  
21 Commissioner Argenziano said yes, Commissioner Carter said yes,  
22 and did you say yes?

23 CHAIRMAN EDGAR: No, I did not.

24 COMMISSIONER SKOP: I stand corrected. Thank you.

25 CHAIRMAN EDGAR: Okay.

1           Commissioners, we have had a motion fail for lack of  
2 a second. We have had a motion fail on a two-to-three vote.  
3 And is there a third?

4           COMMISSIONER CARTER: Madam Chair.

5           CHAIRMAN EDGAR: Commissioner Carter.

6           COMMISSIONER CARTER: I recommend we send this issue  
7 back to staff for further recommendations.

8           CHAIRMAN EDGAR: And I'm seeing some nods from our  
9 staff. Let me verify my thinking on this, which is I am not  
10 aware of a statutory or rule deadline, or time clock, or any of  
11 those sorts of things that would prohibit us from looking to  
12 our staff for further analysis. Is that the case?

13          MS. GERVASI: Yes, ma'am, that's correct.

14          CHAIRMAN EDGAR: Okay.

15          Commissioners, further discussion? No further  
16 discussion.

17          Okay. Commissioner Carter, then in my role as  
18 sitting Chairman, I will take your suggestion and ask that we  
19 defer this item administratively with the understanding that  
20 our staff will continue to work with OPC and with the utility,  
21 taking into account the discussion and concerns that have been  
22 raised, and we will look forward to seeing you all back and  
23 having further discussion on this item sometime in the near  
24 future.

25                           \* \* \* \* \*

1 STATE OF FLORIDA )

2 : CERTIFICATE OF REPORTER

3 COUNTY OF LEON )

4

I, JANE FAUROT, RPR, Chief, Hearing Reporter Services  
5 Section, FPSC Division of Commission Clerk, do hereby certify  
6 that the foregoing proceeding was heard at the time and place  
7 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.

10

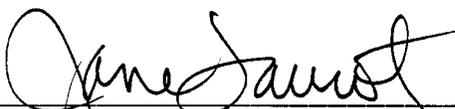
I FURTHER CERTIFY that I am not a relative, employee,  
11 attorney or counsel of any of the parties, nor am I a relative  
12 or employee of any of the parties' attorney or counsel  
13 connected with the action, nor am I financially interested in  
14 the action.

13

DATED THIS 11th day of June, 2007.

14

15



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JANE FAUROT, RPR  
Official FPSC Hearings Reporter  
(850) 413-6732

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