

Ruth Nettles

From: John W. McWhirter [johnmac@tampabay.rr.com]
Sent: Friday, February 13, 2009 3:05 PM
To: Filings@psc.state.fl.us
Cc: Ansley Watson ; Caroline Klancke; J. R. Kelly ; John W McWhirter ; Kandi Floyd; Patty Christensen, Esq.; Paula K. Brown ; Charles Rehwinkel
Subject: Missing 090318 prehearing statement from FIGU
Attachments: FIGU Prehearing Statement Dkt 080318 GU.doc

1. John W. McWhirter, Jr., McWhirter & Davidson, P.A., 400 N. Tampa St. Tampa, FL 33602, jmcwhirter@mac-law.com is the person responsible for this electronic filing;
2. The filing is to be made in Docket 080318-GU In re: Peoples Gas Rate Increase Request
3. The filing is made on behalf of the Florida Industrial Gas Users Group;
4. The total number of pages is 10; and
5. The attached document is The Florida Industrial Gas User Group's Prehearing statement.

John W. McWhirter, Jr.

PO Box 3350

Tampa, FL 33601-3350

813 2240866

813.505.8055 cell

813.221.1854 FAX

DOCUMENT NUMBER-DATE

01137 FEB 13 2009

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Rate Increase by) DOCKET NO. 080318-GU
Peoples System) FILED: February 13, 2008
_____)

**THE FLORIDA INDUSTRIAL GROUPS USERS GROUP'S
PREHEARING STATEMENT**

The Florida Industrial Gas Users Group (FIGU) hereby files its Prehearing Statement, in compliance with Order PSC-08-0555-PCO-GU establishing procedure rendered August 21, 2008, establishing the prehearing procedure in this docket.

A. APPEARANCES:

JOHN W. MCWHIRTER, JR., PO Box 3350, Tampa, Florida 33601-3350,
on Behalf of the Florida Industrial Gas Users Group.

B. WITNESSES:

FIGU will rely upon the prefiled testimony of witnesses in this docket and their responses to discovery and cross examination.

C. EXHIBITS:

None at this time. FIGU reserves the right to utilize appropriate exhibits during cross-examination.

D. STATEMENT OF BASIC POSITION:

FIGU participants do not generally buy gas from Peoples Gas Company. They transport their own gas through Peoples transmission interceptors from the city gate to their industrial sites for the mutual benefit of all rather building pipelines that will by pass the People's system from the interstate pipeline to FIGU industrial sites.

By contract FIGU participants have agreed that Peoples can interrupt their service and take FIGU owned gas to meet need the critical needs of People's firm customers when required.

FIGU supports the need for Peoples Gas Company to be financially strong, but believes that current economic circumstances militate toward a lower return on equity and accordingly supports the cost of capital recommendation filed by the Office of Public Counsel.

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FPSC-COMMISSION CLERK

As a matter of general principle FIGU opposes the implementation of new cost recovery clause tariff riders that move prospective non volatile base rate items to new guaranteed cost recovery clauses.

E. STATEMENT OF ISSUES AND POSITIONS

TEST PERIOD

ISSUE 1: Are the historical base year ended December 31, 2007, and the projected test year ending December 31, 2009, the appropriate test years to be utilized in this docket?

FIGU: FIGU takes no position on this issue, but cautions against projected test years which vary from the statutory mandate of §366.06 *Florida Statutes* that the Commission should only approve rates using the depreciated investment in utility plant that is actually in use and useful service.

ISSUE 2: Are the projected bills and terms for the test year ending December 31, 2009, appropriate for use in this case?

FIGU: FIGU takes no position on this issue.

QUALITY OF SERVICE

ISSUE 3: Is the quality of gas service provided by PGS adequate?

FIGU: FIGU takes no position on this issue.

RATE BASE

ISSUE 4: What are the appropriate unit costs for projected plant additions?

FIGU: FIGU takes no position on this issue. See Issue 1 supra

ISSUE 5: Should any adjustments be made to Projected Plant, Accumulated Depreciation, and Depreciation Expense?

FIGU: FIGU takes no position on this issue.

ISSUE 6: Should any adjustments be made to remove a portion of the cost of the main running east to west across the Florida Turnpike on SW Martin Highway from the projected test year rate base?

FIGU: FIGU takes no position on this issue.

ISSUE 7: Should any adjustments be made to reduce Plant, Accumulated Depreciation, Depreciation Expense, and other expenses to reflect non-utility operations?

FIGU: FIGU takes no position on this issue.

ISSUE 8: What is the appropriate amount of Construction Work in Progress (CWIP) for the 2009 projected test year?

FIGU: FIGU takes no position on this issue.

ISSUE 9: What is the appropriate 2009 projected test year Total Plant?

FIGU: FIGU takes no position on this issue.

ISSUE 10: What is the appropriate 2009 projected test year Depreciation Reserve?

FIGU: FIGU takes no position on this issue.

ISSUE 11: Should conservation over recoveries be included in the calculation of working capital?

FIGU: FIGU will agree with OPC on this issue.

ISSUE 12: What is the appropriate 2009 projected test year Working Capital Allowance?

FIGU: FIGU takes no position on this issue.

ISSUE 13: What is the appropriate projected test year Rate Base?

FIGU: FIGU takes no position on this issue.

COST OF CAPITAL

ISSUE 14: What is the appropriate return on common equity for the projected test year?

FIGU: FIGU will agree with OPC on this issue.

ISSUE 15: What is the appropriate capital structure for the projected test year?

FIGU: FIGU will agree with OPC on this issue.

ISSUE 16: What is the appropriate cost rate of long-term debt for the projected test year?

FIGU: FIGU will agree with OPC on this issue.

ISSUE 17: What is the appropriate cost rate of short-term debt for the projected test year?

FIGU: FIGU takes no position on this issue.

ISSUE 18: What is the appropriate amount of accumulated deferred taxes to be included in the capital structure for the projected test year?

FIGU: FIGU takes no position on this issue.

ISSUE 19: What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure for the projected test year?

FIGU: FIGU takes no position on this issue.

ISSUE 20: What is the appropriate weighted average cost of capital for the projected test year?

FIGU: FIGU will agree with OPC on this issue.

REVENUES

ISSUE 21: Has PGS made the appropriate test year adjustments to remove revenues and expenses recoverable through the Purchased Gas Adjustment Clause?

FIGU: FIGU takes no position on this issue.

ISSUE 22: Has PGS made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Conservation Cost Recovery Clause?

FIGU: FIGU takes no position on this issue.

ISSUE 23: What amount, if any, of Off-System Sales revenues should be included in the projected test year?

FIGU: **FIGU:** FIGU takes no position on this issue.

ISSUE 24: What is the appropriate amount of projected test year total Operating Revenues?

FIGU: FIGU takes no position on this issue.

EXPENSES

ISSUE 25: Are the trend rates used by PGS to calculate projected O&M expenses appropriate?

FIGU: FIGU takes no position on this issue.

ISSUE 26: Should the projected test year O&M expense be adjusted for the effect of any changes to the trend factors?

FIGU: FIGU takes no position on this issue.

ISSUE 27: Should any adjustments be made to the 2007 O&M expenses for staff Audit Finding Nos. 1 and 2, to address out-of-period expenses, reclassifications, and non-utility expenditures?

FIGU: No Position.

ISSUE 28: Should any adjustments be made to Account 920, Administrative and General Salaries, or any other accounts related to employee compensation?

FIGU: No Position.

ISSUE 29: What is the appropriate amount of rate case expense and what is the appropriate amortization period for that expense?

FIGU: No Position.

ISSUE 30: Is PGS's proposed recovery of the gas cost portion of bad debt expense through the Purchased Gas Adjustment Clause appropriate?

FIGU: No Position.

ISSUE 31: Should any adjustments be made to bad debt expense?

FIGU: No Position.

ISSUE 32: Should any adjustments be made to Account 926, Employee Pensions and Benefits?

FIGU: No Position.

ISSUE 33: What is the appropriate amount of pipeline integrity expense, if any, to be included in the projected test year?

FIGU: No Position.

ISSUE 34: Should the Commission allow PGS to establish a storm damage reserve, and if so, what is the appropriate amount of annual storm expense accrual?

FIGU: No Position.

ISSUE 35: Should any adjustments be made to Account 912, Demonstrating and Selling expenses?

FIGU: No Position.

ISSUE 36: Should the costs to fund Directors and Officers Liability Insurance be included in the projected test year?

FIGU: No Position.

ISSUE 37: Should any adjustments be made to costs allocated by TECO to PGS?

FIGU: No Position.

ISSUE 38: What is the appropriate amount of Taxes Other Than Income Taxes?

FIGU: No Position.

ISSUE 39: Is it appropriate to make a parent debt adjustment as per Rule 25-14.004, Florida Administrative Code?

FIGU: No Position.

ISSUE 40: What is the appropriate Income Tax Expense, including current and deferred income taxes, ITC amortization, and interest synchronization?

FIGU: No Position.

ISSUE 41: What is the appropriate amount of projected test year O&M Expense?

FIGU: No Position.

ISSUE 42: What is the appropriate amount of projected test year Depreciation and Amortization Expense?

FIGU: No Position.

ISSUE 43: What is the appropriate level of Total Operating Expenses for the 2009 projected test year?

FIGU: No Position.

ISSUE 44: What is the appropriate amount of projected test year Net Operating Income?

REVENUE REQUIREMENTS

ISSUE 45: What is the appropriate projected test year revenue expansion factor to be used in calculating the revenue deficiency?

FIGU: No Position.

ISSUE 46: What is the appropriate projected test year operating revenue increase, if any?

FIGU: No Position.

RATES

ISSUE 47: Are PGS's estimated revenues by rate class at present rates for the projected test year appropriate?

FIGU: No Position.

ISSUE 48: What is the appropriate cost of service methodology to be used in allocating costs to the rate classes?

FIGU: Agree with PGS.

ISSUE 49: What are the appropriate customer charges?

FIGU: Agree with PGS.

ISSUE 50: What are the appropriate per therm Distribution Charges?

FIGU: No Position.

ISSUE 51: What are the appropriate Miscellaneous Service Charges?

FIGU: No Position.

ISSUE 52: Is PGS's proposal to stratify its current single residential service class into three individual classes appropriate?

FIGU: No Position.

ISSUE 53: Is PGS's proposal to reclassify certain customers appropriate?

FIGU: No Position.

ISSUE 54: Should the Commission approve PGS's proposed "Gas System Reliability Rider," which would permit recovery of revenue requirements associated with eligible infrastructure system replacements (e.g., replacements for existing facilities, relining projects to extend useful life of existing facilities, road relocation projects) and incremental O&M expenses, if any, incurred to comply with mandatory pipeline safety regulations? If approved as proposed by PGS, such recovery would continue until the effective date of revised base rates established in the Company's next base rate proceeding. The rider would also provide for the refund of O&M expenses, if any, incurred to comply with mandatory pipeline safety regulations, in excess of such expenses included in the Company's most recent base rate proceeding.

FIGU: FIGU opposes this tariff rider because the costs are not volatile. The depreciation charge collected from customers is normally sufficient for pipeline replacement and repair.

ISSUE 55: Should the Commission approve PGS's proposed "Carbon Reduction Rider," which would permit recovery of revenue requirements associated with incremental capital expenditures, if any, for installation of supply mains (as defined in the rider) to serve primarily residential developments? If approved as proposed by PGS, such recovery would continue until the earlier of (i) the end of a five-year recovery period, or (ii) the effective date of revised base rates established in the Company's next base rate proceeding.

FIGU: No position on the issue because the cost recovery clause is not applicable to the FIGU rate classes, but in principle this is a capital expenditure. It is not the type of volatile expense normally associated with cost recovery clauses.

ISSUE 56: What is the appropriate effective date for PGS's revised rates and charges?

FIGU: No Position.

ISSUE 57: Should any of the \$2,380,000 interim rate increase granted by Order No. PSC-08-0696-PCO-GU be refunded to the ratepayers?

FIGU: No Position.

ISSUE 58: Should PGS be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, earnings surveillance reports, and books and records which will be required as a result of the Commission's findings in this docket?

FIGU: No Position.

ISSUE 59: Should this docket be closed?

FIGU: Yes.

STIPULATED ISSUES

FIGU: None

PENDING MOTIONS OF INTEREST TO FIGU

FIGU: None

CLAIMS FOR CONFIDENTIALITY

FIGU: None

EXPERT QUALITIFCATIONS

FIGU: No objections to expert qualifications

COMPLIANCE RESTRICTIONS AFFECTING FIGU

FIGU: None

Respectfully submitted

/s/ John W. McWhirter, Jr.
McWhirter & Davidson PA
By John W. McWhirter, Jr
Florida Bar # 53905
Attorneys for FIGU

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing The Florida Industrial Gas Users' Prehearing Statement has been furnished by electronic mail the 13th day of February 2009 to the following:

<p>Macfarlane Law Firm Ansley Watson, Jr. P.O. Box 1531 Tampa, FL 33601-1531 Phone: 813-273-4321 FAX: 813-273-4396 Email: aw@macfar.com</p>	<p>Office of Public Counsel J.R. Kelly/Charles Rehwinkel /Patti Christensen % The Florida Legislature 1110 West Madison St. Tallahassee, FL 32399-1400 Phone: 850-488-9330</p> <p>Florida Public Service Commission Caroline Klancke Senior Attorney 2540 Shumard Oak Blvd Tallahassee, Fl 32399-0850 (850) 413 6220</p> <div data-bbox="889 1045 1515 1507" style="border: 1px solid black; padding: 5px;"><p><u>s/</u> <u>John W. McWhirter, Jr</u></p><p>John W. McWhirter, Jr. McWhirter Law Firm PO Box 3350 Tampa, Florida 33601 Telephone: (813) 224-0866; (813)505-8055 Telecopier: (813) 221-1854 jmcwhirter@mac-law.com Attorneys for Florida Industrial Gas Users</p></div>
<p>Peoples Gas System Paula K. Brown/Kandi M. Floyd Regulatory Affairs P.O. Box 2562 Tampa, FL 33601-0111 Phone: (813) 228-1444 FAX: (813) 228-1770</p>	
<p>TECO Energy, Inc. Matthew R. Costa P. O. Box 111 Tampa, FL 33601-0111 Phone: 813-228-4938 FAX: 813-228-1328 Email: mcosta@tecoenergy.com</p>	