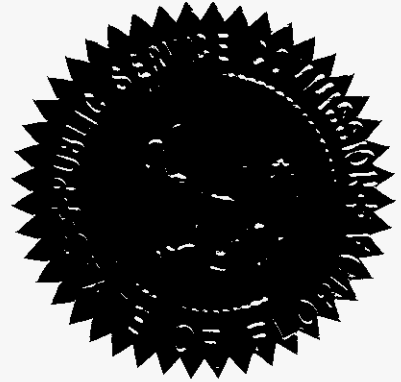


BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 090079-EI

In the Matter of:

PETITION FOR INCREASE IN RATES BY  
PROGRESS ENERGY FLORIDA, INC.



PROCEEDINGS: LIVE OAK SERVICE HEARING

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

DATE: Thursday, July 9, 2009

TIME: Commenced at 10:00 a.m.  
Concluded at 11:32 a.m.

PLACE: Live Oak City Hall  
Council Chambers  
101 White Avenue S.E.  
Live Oak, Florida 32064

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

DOCUMENT NUMBER-DATE

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## 1 APPEARANCES:

2 R. ALEXANDER GLENN, ESQUIRE, Progress Energy  
3 Service Company, LLC, Post Office Box 14042, Saint  
4 Petersburg, Florida 33733-4042, appearing on behalf of  
5 Progress Energy Service Company.

6 ROBERT SCHEFFEL WRIGHT, ESQUIRE, c/o Young Law  
7 Firm, 225 South Adams Street, Suite 200, Tallahassee,  
8 Florida 32301, appearing on behalf of the Florida Retail  
9 Federation.

10 CECILIA BRADLEY, ESQUIRE, Attorney General's  
11 Office, The Capitol - PL01, Tallahassee, Florida  
12 32399-1050, appearing on behalf of the Citizens of the  
13 State of Florida.

14 J. R. KELLY, ESQUIRE and CHARLES REHWINKEL,  
15 ESQUIRE, Office of Public Counsel, c/o The Florida  
16 Legislature, 111 W. Madison Street, Room 812,  
17 Tallahassee, Florida 32399-1400, appearing on behalf of  
18 the Citizens of the State of Florida.

19 KEINO YOUNG, ESQUIRE, FPSC, General Counsel's  
20 Office, 2540 Shumard Oak Boulevard, Tallahassee, Florida  
21 32399-0850, appearing on behalf of the Commission Staff.

## I N D E X

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

1  
2           **CHAIRMAN CARTER:** Okay. Good morning to one  
3 and all. I'd like to call this hearing to order.

4           First of all, my name is Matthew Carter,  
5 Chairman of the Florida Public Service Commission.

6           And with that, Staff, would you please read  
7 the notice.

8           **MR. YOUNG:** Thank you.

9           Good morning. By notice this time and place  
10 has been set for a customer service hearing in Docket  
11 Number 090079-EI, petition for rate increase by Progress  
12 Energy Florida, Incorporated.

13           **CHAIRMAN CARTER:** Thank you.

14           With that, let me take a moment to allow my  
15 fellow Commissioners to introduce themselves.

16           Commissioner Edgar.

17           **COMMISSIONER EDGAR:** Thank you.

18           Good afternoon. Hello. My name is Lisa  
19 Edgar. I'm glad to be here. Thank you all for coming.  
20 I look forward to your comments.

21           **CHAIRMAN CARTER:** Commissioner McMurrian.

22           **COMMISSIONER McMURRIAN:** Hello. I'm Katrina  
23 McMurrian. I'm also glad to be here today with you all.  
24 And it seems like rain has been following us everywhere.  
25 It's a nice pretty day here, so we are glad to be here

1 with you and look forward to hearing your comments  
2 today.

3 **CHAIRMAN CARTER:** Thank you.

4 Commissioner Argenziano.

5 **COMMISSIONER ARGENZIANO:** Good morning,  
6 Mr. Chairman. I can't hear the other Commissioners,  
7 just so staff knows. Also, thank you so much. I don't  
8 know how many people are in the audience, but thank you  
9 for coming. I apologize for not being able to be there  
10 personally. I broke my leg. And I do appreciate that  
11 staff has accommodated me with the phones that I can  
12 actually be in the room listening to your concerns. I  
13 love Live Oak. It used to be a part of my district, and  
14 I miss you all, and I'm waiting to hear what you have to  
15 tell us today. Thank you so much for coming, and thank  
16 you, staff, for hooking us up.

17 **CHAIRMAN CARTER:** Thank you, Commissioner.

18 Also Commissioner Skop is in transit here. So  
19 we will have him joining us shortly. Now let's take the  
20 appearances of the parties.

21 **MR. GLENN:** Thank you, Chairman.

22 Alex Glenn on behalf of Progress Energy  
23 Florida.

24 **CHAIRMAN CARTER:** Mr. Kelly.

25 **MR. KELLY:** Good morning. I'm J. R. Kelly

1 along with Charles Rehwinkel, sitting over here to my  
2 right; we are with the Office of Public Counsel, we  
3 represent you, the ratepayers.

4 **CHAIRMAN CARTER:** Ms. Bradley.

5 **MS. BRADLEY:** I'm Cecilia Bradley from  
6 Attorney General McCullom's office, and together with  
7 Public Counsel, we represent all of you. So we are glad  
8 that you are here it today.

9 **CHAIRMAN CARTER:** Also, representing the  
10 Florida Retail Federation, Mr. Schef Wright. He called,  
11 he's on his way. He will be one of the parties.

12 We are also quite fortunate to have with us,  
13 who has been with on all of the hearings, Jack Shreve,  
14 who is from the Office of the Governor, the Governor's  
15 Council on Energy Issues. And Jack has been -- he was  
16 Public Counsel for over 25 years for the state of  
17 Florida. He has done great work, and he is doing even  
18 greater work now for the Governor.

19 Jack, we are glad to have you with us.

20 **MR. SHREVE:** Thank you, Mr. Chairman.

21 **CHAIRMAN CARTER:** Staff, you're recognized.

22 **MR. YOUNG:** Keino Young, Marshall Willis and  
23 Cheryl Bulecza-Banks, with Commission staff.

24 **CHAIRMAN CARTER:** Thank you.

25 We're here today because we want to hear from

1 you.

2 Mr. Wright, I entered your appearances for  
3 you.

4 **MR. WRIGHT:** I appreciate it, Mr. Chairman.  
5 Thank you, very much.

6 **CHAIRMAN CARTER:** And when we get into our  
7 public phase, this podium will be turned toward -- it  
8 will turned around to us, toward us, and you will be  
9 speaking to us. And when you do come up to speak, would  
10 you just give your name and address for the court  
11 reporter over here. She'll be taking down everything  
12 that you are saying. She will probably leave the oohs  
13 and aahs out. She does it for me. It make me sound  
14 intelligent sometimes. And from that, we'll go on with  
15 our public testimony.

16 But before we do that, we'll have comments  
17 from the parties. They will be giving a brief opening  
18 of the parties, and then we will go from there. Because  
19 we are fundamentally here today because we want to hear  
20 from you, the customers. It is very, very important for  
21 us to hear from you about how you feel about this  
22 proposed rate increase. So, let me see, are there any  
23 other preliminary matters?

24 **MR. YOUNG:** No, sir.

25 **CHAIRMAN CARTER:** Okay. Let's have the

1 opening statements of the parties.

2 Mr. Glenn.

3 **MR. GLENN:** Thank you, Chairman.

4 Before I begin my opening remarks, I just want  
5 to let everybody know in the audience that we have  
6 customer service representatives in a back room, who  
7 have realtime access to your account. So if you have a  
8 question about your service, about your bill, or any  
9 other issue, you can talk to somebody directly in the  
10 back, and we'll, hopefully, be able to address that  
11 issue today. If we can't, we are going to get back to  
12 you promptly, and then we'll provide responses to the  
13 Commissioners on any of those issues. So I just wanted  
14 to give you that heads up.

15 And, also, Mr. Ken Talbott, the gentleman  
16 right there with the pink tie, if you have one of those  
17 issues, please see Mr. Talbott.

18 Chairman Carter, Commissioners, thank you for  
19 this opportunity to speak to our customers, but really  
20 more important to listen. We value what you have to  
21 say, whether it is a concern, a question, or a  
22 compliment.

23 We know there is never a good time to ask for  
24 an increase in base rates, especially during challenging  
25 economic times. No one wants to pay more for



1 electricity. Yet we also know that people want and need  
2 reliable electric power. Just recall the hurricanes of  
3 2004 and 2005, and the critical importance of quick,  
4 safe power restoration that occurred. It's essential  
5 that your electric utility is financially strong and  
6 capable of providing that level of service. But there  
7 is a cost to providing that service, and that's why we  
8 are here today.

9           Base rates, which is what our filing is about,  
10 cover the cost of the utility's cost of producing and  
11 delivering electricity to customers' homes and  
12 businesses. Now, if you think about it on your customer  
13 bill, a dollar out of every dollar that you spend on  
14 your bill, about 24 or 25 cents of that goes to covering  
15 the utility's cost of base rates. About 50, 53 percent  
16 of that goes to fuel, which we make no profit on. Over  
17 the last 25 years, we have invested more than four and a  
18 half billion dollars in power plants, in poles, wires,  
19 substations, new advanced meters, bucket trucks and  
20 other capital improvements, and we have done this while  
21 limiting our base rate increases to about one percent  
22 over the last 25 years.

23           Now think about it. Compare that with the  
24 price of food which has gone up 115 percent, the cost of  
25 housing which has gone up 113 percent, and the cost of

1 medical care which has gone up 253 percent over that  
2 same quarter of a century. At the same time over that  
3 last 25-year period, we have been able to maintain  
4 outstanding service, top quartile spppp now in  
5 reliability, in power plant performance and in safety,  
6 thanks to our dedicated and skilled work force.

7 Now, the cost increases that we are facing  
8 today can no longer be absorbed by our effective cost  
9 management, our efficiencies, or by customer growth. To  
10 give you an example of some of the investments that we  
11 are making right now, and they make up part of our base  
12 rate increase, we are spending \$300 million this year to  
13 replace our steam generators in our nuclear power plant  
14 in Crystal River. These are mammoth 500-ton pieces of  
15 equipment that will ensure that you continue to receive  
16 carbon-free energy from an around-the-clock lowest cost  
17 power source on our system from one of the nation's best  
18 performing nuclear power plants and safest in the  
19 country.

20 We have also invested about a billion dollars  
21 in our Bartow power plant. It was an oil-fired steam  
22 plant, 1950s vintage. We have repowered that plant with  
23 state of the art clean burning natural gas. The plant  
24 now has double the capacity of the old plant, but with  
25 less emissions and lower fuel costs to you, our

1 customers.

2 We have also got to continue to invest in the  
3 backbone of our system, our poles, our wires and our  
4 power plants to make sure that the power is there when  
5 you need it. Now, to give you an example, this is a  
6 turbine blade. This is one blade in 800 blades of just  
7 one power plant, one natural gas-fired power plant on  
8 our system. This blade wears out after being subjected  
9 to temperature of about 2,000 degrees Fahrenheit day in  
10 and day out, and has got to be replaced every couple of  
11 years. This blade, this one blade costs \$41,000. That  
12 is just a 400 million-dollar investment in turbine  
13 blades alone, and that's just one investment in one part  
14 of one piece of equipment in our 64 power plant system.  
15 We are an incredibly capital intensive business, and it  
16 takes money to run our business.

17 Now, while we are continuously investing in  
18 these types of investments, we have also got to plan for  
19 the future to meet Florida aggressive energy policy.  
20 One that is aimed at lower emissions and a more diverse  
21 energy portfolio. We support that policy with increased  
22 renewable energy, increased energy efficiency, and low  
23 carbon or carbon free state of the art power plants.  
24 But implementing this policy and providing excellent and  
25 reliable service is dependent upon having a financially

1 healthy utility.

2 We compete for investors we compete against  
3 other electric utilities. We compete against other  
4 businesses in other industries like Exxon Mobile, like  
5 IBM, like the Wal-Mart's and McDonald's of this world.  
6 Now a fair rate of return and a reasonable opportunity  
7 to earn that return is critical to us attracting  
8 investors. Many of whom, I bet you, are sitting in this  
9 room today. If you own a mutual fund or you have a  
10 pension, you probably own some Progress Energy stock.  
11 So are people going to invest in Exxon Mobile, which  
12 return of -- whose return on equity this year is about  
13 35 percent, are they going to invest in IBM whose return  
14 on equity is 68 percent, or are they going to invest in  
15 us. These investors are crucial to providing the  
16 capital we need to run our business to buy these blades,  
17 to respond to storms and to keep the lights on.

18 We understand that customers expect electric  
19 service to be reliable, affordable, and produced in an  
20 environmentally sound manner, and we are committed to  
21 meeting those expectations. On behalf of all the  
22 dedicated employees of Progress Energy who have been  
23 serving this and surrounding communities for nearly one  
24 hundred years, thank you.

25 Thank you for listening today, thank you for

1 taking the time to come out and talk to us, and I look  
2 forward to listening to what you have to say.

3 **CHAIRMAN CARTER:** Mr. Kelly.

4 **MR. KELLY:** Good morning. I also want to echo  
5 what some of the previous folks have said. Thank you,  
6 so much for taking time to come out of your busy  
7 schedule and be with us today. Because this is a very,  
8 very important meeting, and I'm going to get to why it  
9 is so important in just a few minutes.

10 But first off, I want to introduce myself.  
11 I'm J.R. Kelly. I'm a Public Counsel for the state of  
12 Florida, and I have the distinct honor of representing  
13 you, the ratepayers, for matters that come in front of  
14 the Public Service Commission. I'm not part of the  
15 Public Service Commission; our office is separate. We  
16 have attorneys, we have consultants, and we hire expert  
17 witnesses on your behalf to represent your interest in  
18 front of Public Service Commission. And our goal is  
19 very simple. In dealing with electric utilities, our  
20 goal is very simple. We want to get you the best  
21 quality electric service at the least cost possible.  
22 The least cost possible.

23 Now, why are we here today. We are here today  
24 because Progress Energy has asked for a request in their  
25 base rates. Okay. To put it in perspective what base

1 rates are -- it can get very complicated -- I want you  
2 to think of a test tube. Okay. Different parts go into  
3 the test tube to get to the top. When you reach the  
4 top, that's the rate that you pay every month when you  
5 consume electricity in your home, your business,  
6 whatever. Parts of those test tubes at the very bottom  
7 about 44 percent in Progress' test tube are base rates.

8 Base rates are made up of a lot of complicated  
9 accounting issues and so forth, but it really boils down  
10 to two things. Base rates are an opportunity for  
11 Progress Energy to recoup their expenses. What it takes  
12 to run their business, depreciation, salaries, et  
13 cetera, mainly operating, and maintenance expenses. And  
14 in addition, they are entitled to and should be entitled  
15 to, to earn a fair and reasonable rate of return on  
16 their investment. Fair and reasonable rate of return on  
17 their investment.

18 Now, we're here today because Progress Energy  
19 is asking for a \$500 million increase just in the base  
20 rate portion of the test tube. That equates to about a  
21 31.46 percent increase. Okay. Now, I want to be the  
22 first one today to tell you that Progress Energy is a  
23 very, very well-run, fine organization. And I know some  
24 of you are going to come up here today and say the same  
25 thing, so let me be the first. They are a good run

1 company. They are good people. They are part of your  
2 community and all the other communities they work in  
3 around this state. They are a good corporate citizen,  
4 and they are a good community partner, but that is not  
5 why we are here today. We are here today to talk about  
6 the effects of a rate increase on you and how you live  
7 your lives and run your businesses.

8 Now, is what they are asking for, a  
9 31.46 percent increase, reasonable? We do not believe  
10 so. And there are several issues that we are going to  
11 be contesting on your behalf. First is rate of return.  
12 Progress is asking for a 12.54 percent return on their  
13 equity. How many of you right now are earning  
14 12 percent, 10 percent return on whatever you -- anyway  
15 you have invested your money? How many? No hands.  
16 This is the third hearing we have had this week, not one  
17 hand as gone up. Not one hand.

18 The average authorized rate of return across  
19 the nation right now is 10.29 percent. Okay. We argued  
20 in a recent case with our expert that 9.75 was  
21 reasonable. And our expert, we believe, in this matter,  
22 will probably come in somewhere between 9 and a half,  
23 10 percent. Somewhere around there is a reasonable and  
24 fair rate of return for Progress Energy.

25 Now, the difference that you -- so you can it

1 in terms of dollars, between what we are going to be  
2 arguing is reasonable and what they are asking for is  
3 going to be about \$130 million a year. Every one  
4 percent to Progress Energy represents \$51 million a year  
5 coming out of your pocket. Okay. \$51 million for one  
6 percent.

7 Depreciation. That's going to be a huge issue  
8 in this case. Depreciation for those of you that don't  
9 understand it, think of it like this. When you buy a  
10 car and you expect it to run for maybe ten years. Say  
11 you pay a thousand dollars for the car. Every year as  
12 you use it, it wears away, right? The value of the  
13 asset goes down, that's depreciation. In my example, a  
14 thousand dollars, ten years, about \$100 a year value  
15 would come off of your car. In the same way, Progress  
16 Energy, just like the blade that Mr. Glenn showed you,  
17 when they buy assets and pieces of equipment and they  
18 have hundreds of thousands probably even millions of  
19 assets, they buy those, they aggregate those values  
20 together. There is an extremely complicated formula  
21 that I can't even begin to understand how they compute  
22 depreciation. But they take all the useful lives of all  
23 those assets, put them together, put the map together.  
24 Some of the assets may last five years, some 50 years.  
25 They have various lives. But then they calculate a



1 yearly depreciation expense, and that's what you, as the  
2 ratepayer, pay Progress Energy. And they are entitled  
3 to that. They are entitled to depreciation expense, but  
4 that is what you pay as part of your rates.

5 Over the past few years Progress Energy has  
6 overcollected \$700 million in depreciation expense.  
7 That's your money. There's a couple of ways to deal  
8 with that. You could reduce the depreciation that you  
9 are going to charge in the future and catch up, okay,  
10 over the next 20, 30, 40 years. We don't believe that's  
11 the right approach. We believe in today's hard economic  
12 times you should take the depreciation, put it back in  
13 your hands today, reduce the amount of the request they  
14 are asking for. Okay. They're still going to get their  
15 depreciation expense, but not have you -- you are the  
16 ones that have been paying this in. Okay. You may not  
17 be around 20, 30 years from now to be recouping that  
18 investment that you have already paid in.

19 And the last issue I just wanted to mention is  
20 everything that Progress is asking for, folks, is based  
21 upon projections. Estimates. Bottom line, guesses.  
22 Expert guesses. Okay. We're going to be challenging  
23 many of those guesses with our experts. I don't have a  
24 figure for you today to tell you how much. Our experts  
25 are now pouring over the documents, and seeing what they

1 do not feel that Progress Energy has justified in the  
2 evidence they have filed in the case.

3 I want to set the record straight on a couple  
4 of things. Okay. Number one, you heard Mr. Glenn talk  
5 about he competes against IBM and McDonald's and  
6 everything. What do those companies have that Progress  
7 Energy doesn't? Competition. Progress Energy is a  
8 monopoly. In return for the monopoly they are regulated  
9 by the Public Service Commission. They are guaranteed  
10 some rate of return. Okay. That's the trade-off,  
11 monopoly guaranteed rate of return. Okay.

12 So when they compete, they are competing on a  
13 little bit different plain. Do you remember my test  
14 tube I started out a couple of minutes ago talking  
15 about. There are different aspects of the test tube. I  
16 told you that base rates make up about 44 percent.  
17 Other parts of that test tube are fuel charges, nuclear  
18 charges, environmental charges, conservation charges,  
19 whatever go into those other parts of the test tube,  
20 folks, dollar in is a dollar out, you pay for it. Okay.  
21 There is no risk or very, very, very little risk  
22 involved. Okay. The risk is down on the bottom portion  
23 of the base rates. Okay. It's not in -- if they go and  
24 spend something, \$100 million that is approved in  
25 environmental, they are going to get \$100 million.

1 Dollar in dollar out. So you need to understand that.  
2 Because rate of return is based upon, in large part,  
3 risk.

4 Lastly, I just want to mention that all the  
5 things that they do today, their investment, their  
6 contributing to the communities, their investments, et  
7 cetera, none of that is going to go away if they don't  
8 get this rate increase. None of that is going to go  
9 away. In fact, over the past 12 months, based upon the  
10 documents that Progress Energy has filed with the Public  
11 Service Commission just recently, for the previous  
12 12-month period they earned 9.16 percent return on  
13 equity. That equates to \$517 million income, okay.  
14 Based on about a \$5 billion of revenue. So I don't want  
15 you to think I'm up here saying they shouldn't earn  
16 anything. Absolutely not. They're entitled to earn a  
17 fair and reasonable rate of return, and that is what we  
18 are going to argue on your behalf.

19 Now, today, folks this is your hearing.  
20 That's why we are here today. These folks behind me,  
21 they need to hear from you. Please, if you have already  
22 signed up, thank you so much for signing up to speak.  
23 If you haven't, I encourage you please take the time to  
24 come up here and speak to the Commissioners. This is  
25 your hearing. This is your opportunity. These folks

1 came from Tallahassee to hear you, and they want to hear  
2 you, and they need to hear you. How will this rate  
3 increase affect your standard of living?

4 Thank you very much.

5 **CHAIRMAN CARTER:** Thank you, Mr. Kelly.

6 Mr. Wright.

7 **MR. WRIGHT:** Good morning. Thank you all for  
8 coming. As Mr. Kelly said, this is your hearing. This  
9 is your chance to tell the Florida Public Service  
10 Commission, who gets to say what your electric rates are  
11 going to be, what you think about Progress' proposed  
12 rate increase.

13 My name is Schef Wright. I'm a native  
14 Floridian, undergrad Florida Gator, law degree from  
15 Florida State. So I'm kind of right in the middle  
16 today. I have been working in energy in Tallahassee for  
17 29 years. First for Governor Graham's Energy Office,  
18 then on the Public Service Commission staff, and for  
19 about the last 20 years I have been a private practice  
20 attorney. I represent consumers and renewable energy  
21 producers.

22 I'm here today representing the Florida Retail  
23 Federation. The Federation is a statewide organization  
24 of more than 9,000 members from the smallest mom and pop  
25 commercial establishments to the largest chains of

1 grocery, department, electronics, pharmacies and all the  
2 other stores that you all shop at. We are consumers,  
3 too. We are all in this together. We oppose this rate  
4 increase. I agree with everything Mr. Kelly said. Mr.  
5 Kelly is a fine Public Counsel, and Mr. Shreve, his  
6 predecessor for 25 years before him, have done a  
7 marvelous job for you all over the years, over decades.

8 We agree with Mr. Kelly and with Mr. Glenn  
9 that Progress needs sufficient funds, sufficient  
10 revenues to provide you with safe, adequate, reliable  
11 service. This case is about whether Progress needs,  
12 needs another half a billion dollars a year of your  
13 money and our members' money to continue providing safe,  
14 adequate, reliable service. We don't believe that's the  
15 case.

16 We believe that they have overstated their  
17 requested increase for several reasons that Mr. Kelly  
18 touched on. We believe the requested rate of return  
19 which is the equivalent of profit in this context is too  
20 high. We believe that a proper rate of return between 9  
21 and a half and 10 percent would knock something like  
22 \$130 million a year off of that half a billion dollar a  
23 year requested increase. Giving you and giving our  
24 members back the depreciation surplus that we have paid  
25 in and created for Progress. Giving that back over a

1 reason period of time, like four years, would cut  
2 another \$120 million or so off their requested increase.  
3 We believe, based on preliminary evaluation, that they  
4 have overstated depreciation expense and overstated  
5 other items. We're not sure whether they deserve any  
6 rate increase at all. If they do, we'll say so.

7 In the case mentioned by others, we didn't say  
8 no to -- we didn't say zero rate increase to Tampa  
9 Electric Company. Our position was -- they asked for  
10 \$230 million a year, we thought 35 million was about  
11 right. The Commission gave them more than that, but it  
12 was based on the evidence and that was their decision.

13 I just want to touch on a couple of things.  
14 Mr. Kelly told you that they earned \$517 million over  
15 the last 12 months. That's a 9.1 percent rate of return  
16 on equity. I want to make it clear, that is after they  
17 paid all of their expenses, paid all of their employees,  
18 paid for all of their fuel, all of their environmental  
19 costs, included all depreciation and paid their income  
20 taxes or actually collected from you all an allowance  
21 for income taxes incorporated into the rates. They  
22 still made a 9.1 percent, \$517 million of profit  
23 equivalent in this context after that.

24 Mr. Glenn also made the point that their base  
25 rates have only increased about 1 percent over the last

1 22 years -- well, back to 25 years, because, actually,  
2 they had a rate decrease in '87. They had some other  
3 rate decreases. But here is the real thing. The rates  
4 ain't gone folks. Ten years ago -- and I pulled this  
5 out of a Public Service Commission report -- ten years  
6 ago, as of December 31st, 1999, the bill for a thousand  
7 kilowatt hours, which is what we talked about is the  
8 typical residential bill, a thousand kilowatt hours of  
9 residential service from Progress Energy was \$82.76.  
10 Today that number is \$122.79. That's about a 50 percent  
11 increase. And some of those costs are, in fact, in the  
12 environmental area in particular, some of those costs  
13 are costs that would otherwise have gone into base rates  
14 under conventional utility regulatory accounting.

15 I need to wrap up because we need to hear from  
16 you. I want to make a couple more points. We are not  
17 talking about cutting jobs. We are not talking about  
18 taking people out of the field who are -- keep working  
19 hard to keep your lights on. We are not talking about  
20 cutting their wages. We are probably going to take a  
21 look at executive compensation, because we suspect that  
22 might be too high. We are not talking about cutting the  
23 amounts that they spend on power plants or on  
24 transmission lines or distribution lines or meters or  
25 meter readers. Those are reasonable and prudent costs.

1 We are talking about lowering their profit. We're  
2 talking about flowing back to you the depreciation  
3 surplus. We are talking about probably reducing their  
4 request by other expenses that we believe are  
5 unreasonable. Remember what I said at the beginning.  
6 The question in this case that's going to be decided by  
7 the Public Service Commission is does Progress Energy  
8 Florida need another half a billion dollars a year of  
9 your money and our members' money to continue providing  
10 safe, adequate, reliability service?

11 We don't believe so. The evidence that is  
12 going to come out in the hearing later this summer will  
13 tell. The Public Service Commissioners will decide.  
14 Please tell them your beliefs about this important case.

15 Thank you.

16 **CHAIRMAN CARTER:** Thank you, Mr. Wright.

17 Ms. Bradley.

18 **MS. BRADLEY:** Thank you.

19 As I said, I am Cecilia Bradley, and I work  
20 for Attorney General McCullom, and we have the privilege  
21 of working with the Public Counsel and his staff, and we  
22 represent you all in these cases. That is why it is  
23 extremely important for you to speak today. We know  
24 that nobody likes to see anything go up more and have to  
25 pay more for it. But we need to know how this affects



1 you, and the circumstances. And if you think, well,  
2 somebody else is going to say what I'm going to say.  
3 They may or they may not. You may have very unique  
4 circumstances. We spent about five and a half hours in  
5 a hearing yesterday. And our youngest speaker was, I  
6 think, ten, and our oldest was 90. And a lot of people  
7 come in and say, it's only \$13.83, what's the big deal?

8 Well, we had a lot of people that came, and  
9 the 90-year-old talked about when he retired he was only  
10 making \$12,000 a year, and the retirement, the Social  
11 Security was only about one percent. And, you know, he  
12 is only getting a few hundred dollars a month. And so  
13 social security is not going up, they have all been  
14 notified for the next couple of years. And he was  
15 talking about, I have this many dollars each month, and  
16 my rent is this much, or my mortgage is this much, and  
17 my doctor bills is this much, and all of this. And when  
18 you look at it, as one person said, that money, well,  
19 that's my doctor co-payment for the month, or that's my  
20 prescription co-payment for the month, or people came in  
21 and said that's my money for my children for breakfast  
22 or lunch for the month. So to a lot of people, this is  
23 a big deal.

24 We had a lot of seniors that came in and  
25 talked about the fact, they can't afford to pay any

1 more; and they are not, you know, having a wild time.  
2 They talked about all the conservation measures that  
3 they have taken, and it included things like -- there  
4 are several people that said, we don't turn on our air  
5 conditioner during the day until it get above 85 degrees  
6 in the house. You know, that concerns me, obviously,  
7 because we always hear in the summertime about people  
8 that turn off the air conditioner or they are trying to  
9 cut it back, and the next thing we know they have had a  
10 heatstroke or something. So these are real concerns for  
11 us when we hear this kind of testimony.

12 Several people talked about not turning on the  
13 heat during the winter, because they couldn't afford the  
14 electricity. One lady came in and she said, I have done  
15 everything I can. You know, she talked about not using  
16 much air conditioning and then she said, I take one bath  
17 a week. She said the rest of the time I put a cup of  
18 water in my microwave and heat that up, and I sponge off  
19 every day with that. You know, People are doing  
20 everything they can to conserve on electricity, and they  
21 simply can't afford to pay any more, and that's the  
22 thing that concerns us.

23 Now, we want the utilities to be strong  
24 profitable companies. We want them to be able to afford  
25 to provide good service for you. But I can tell you, if

1 they don't get any rate increase, the PSC is by law  
2 going to make sure they provide the services that you  
3 have been getting. So if that is your concern, it  
4 shouldn't be. They will make sure you continue to have  
5 service. They talked about the 500 million that they  
6 made last year. You know, that pays for a lot, if they  
7 need that money.

8           There was also comments about the return on  
9 equity, and that they need this because they have to  
10 attract investors, because they're competing with  
11 Mobile -- I mean, Exxon and some of these other  
12 companies, McDonald's, for investors. Well, that is a  
13 little misleading. Those companies are not monopolies,  
14 and they have to compete with other companies. They  
15 need a higher return on equity, because they are more of  
16 a risk. They don't have a guaranteed rate of return or  
17 guaranteed rates that they can bring in. And the people  
18 that are loaning them money are looking to see how  
19 stable they are, because there are no guarantees for  
20 them. They are competing with everyone. In contrast,  
21 the utilities are monopoly. They know, they are  
22 guaranteed to have income coming in.

23           We had -- in another case the same argument  
24 was made by another utility, and one of the experts that  
25 had worked for the state for a long time, he came in as

1 an expert and did the calculations. And he said, well,  
2 the company would provide a -- if they got this higher  
3 rate of return, would provide a 5 billion benefit to  
4 their customers, but it would cost them 30 million. So  
5 we have to look at the cost of these benefits that they  
6 are saying they are going to give you if they get a  
7 higher rate of return.

8 Then we had a stockbroker that came in a few  
9 weeks ago, and he said, you know, anybody that can get  
10 that high a rate of return, even what they are making  
11 now is going to be delighted, because they are such a  
12 safe investment.

13 I talked about the five and the 30 million. I  
14 have to put that in terms I can deal with, because I  
15 don't deal with millions of dollars in my personal life.  
16 I said, you know, if somebody came up and they gave you  
17 five dollars. You would say, wow, that's nice. Thank  
18 you. I will go down to the Dixie Grill and get  
19 something for lunch, you know, I can go down to  
20 McDonald's and get food. But then if they told you,  
21 well, you are going to have to pay me \$30 for that five.  
22 All of that sudden that doesn't look like as nice a  
23 deal. So that is kind of the thing that we are looking  
24 at here is what kind of benefit are you really getting  
25 and what is the cost? And as I said before, you know,

1 this is a concern with citizens that are at the end of  
2 their rope. They talked about how dire the  
3 circumstances were yesterday.

4 There is also -- we have to look at and are  
5 concerned about the trickle down effect. Mr. Wright  
6 represents a lot of companies. Well, all of your  
7 companies are -- all of your other companies are usually  
8 competing for your business. And if their electric rate  
9 goes up, eventually they are going to have to raise  
10 your -- what they charge you for goods and service. So  
11 we see it as a trickle down that is going to be more of  
12 a double whammy for you. Because not only will you have  
13 to pay more for your electric rates, but you are going  
14 to have to pay more for goods and services that use  
15 electricity.

16 And these are some of the concerns that we  
17 have heard about, and we have, but we want to hear what  
18 your concerns are. And if you haven't signed up, as  
19 Mr. Kelly said, please go do so. We really want to hear  
20 what you have to say, and we want to represent you  
21 better by knowing what your concerns and your problems  
22 are. But we do thank you for coming. I'm sure there is  
23 something else that you could have done that was more  
24 fun than coming here today, so we really appreciate it,  
25 and thank everyone.

1                   **CHAIRMAN CARTER:** Thank you, Ms. Bradley.

2                   While Mr. Durbin is organizing the podium,  
3 Commissioner Skop, I'll give you an opportunity to  
4 introduce yourself. Good morning.

5                   **COMMISSIONER SKOP:** Thank you, Mr. Chair.

6 Good morning. I'm Commissioner Nathan Skop and happy to  
7 be here in Lake City to hear the comments from all the  
8 customers.

9                   **UNIDENTIFIED SPEAKER:** Live Oak. You are in  
10 Live Oak.

11                   **COMMISSIONER SKOP:** We've been traveling so  
12 far. I'm sorry. Live Oak. My apologies. I should  
13 know better, because I have my house in Gainesville.

14                   **CHAIRMAN CARTER:** Thank you, Commissioners.

15                   Those of you wishing to speak, I will swear  
16 you in as a group. But just before you come up to  
17 speak, let's just kind of -- a commercial announcement  
18 for the division of the Public Service Commission. We  
19 have these green forms out on the table by the Public  
20 Service Commission. They tell you who, what, when, why  
21 and where about this proposed rate increase.

22                   Also, for those of you that may be shy about  
23 speaking or have got some neighbors at home that  
24 couldn't make it today. The last page, you can write  
25 your comments on that. It folds into a mail, and you

1 can send that in to us. If you know some people that  
2 wanted to be here and had some things to say that could  
3 not, please on our way out just pick up a couple from  
4 the table out there and send them in to, and we'll put  
5 them as part of the record.

6 Another thing about the record, is that the  
7 reason we are asking you when you come up to state your  
8 name and address for the record, is that this beautiful  
9 young lady down here is transcribing everything. It  
10 will be part of the record so we can have that.

11 Another from the commercial promotion division  
12 from the Florida Public Service Commission is this  
13 yellow and white sheet, it is Being Prepared. You know  
14 that Florida has something we call hurricane season.  
15 And this sheet gives you information about some kind of  
16 way -- safety tips on how to protect yourself. And for  
17 the last, it seemed like for the last five days, we have  
18 been in some kind of -- a storm front had kind of parked  
19 over the state, and we have had a lot more water that we  
20 really need in one particular point in time. There are  
21 some life-saving changes there for you on that.

22 Staff, are there any other preliminary  
23 matters?

24 **MR. YOUNG:** No, sir.

25 **CHAIRMAN CARTER:** Okay. With that, those of

1 you wishing to speak, would you please stand and raise  
2 your right hand?

3 (Witnesses sworn.)

4 **CHAIRMAN CARTER:** Thank you. Please be  
5 seated. Before I call on Mr. Kelly, who will be calling  
6 those of you that are signed up, I want to recognize  
7 first of Senator Charley Dean.

8 Senator.

9 **SENATOR DEAN:** Thank you, Chairman Carter.  
10 And thank you members of the PSC for coming to beautiful  
11 Suwannee County and downtown Live Oak, a beautiful  
12 place.

13 Chairman Carter, I want to thank you for  
14 promptly granting my request to host these hearings in  
15 my district, District 3. I really wish -- I want to say  
16 this to you, Nancy, I hope you a speedy recovery. The  
17 last time you broke, you broke an angle. Now it's a  
18 leg. I want you to be very careful; we need you.

19 **COMMISSIONER ARGENZIANO:** Thank you, Charley.  
20 I appreciate that.

21 **SENATOR DEAN:** This body before you today,  
22 ladies and gentlemen will be making the ultimate  
23 decision, what, if any, of the base rate increase of  
24 Progress Energy will receive. And part of this decision  
25 is this hearing today. I want to thank everybody for



1 coming. I appreciate representing you as your state  
2 senator. And if I know one thing, I know this request  
3 could not come at a worse time, and I know that we can't  
4 afford it. That's where we are, and I represent the  
5 people of my district. I also am very appreciative of  
6 Progress Energy. And being in Citrus County, my home  
7 base and my home county; they are good neighbors; they  
8 are good people. But this is just something today we  
9 can't afford.

10 Thank you for recognizing me.

11 **CHAIRMAN CARTER:** Thank you, Senator.

12 Representing Representative Debbie Boyd, we  
13 have Diana Robinson here. Diana. Good morning. Wanted  
14 to say hello to us. Good to see you again.

15 From the city of Live Oak we have the Vice  
16 Mayor, Mark Stewart.

17 **MAYOR STEWART:** Good morning, Chairman and  
18 Commissioners. Just on behalf the City of Live Oak, we  
19 do appreciate you coming. We appreciate -- even though  
20 we as the city of Live Oak are not on Florida Power --  
21 or Progress Energy, I'm sorry, excuse me, we do  
22 appreciate having this hearing here because the people  
23 around our community do have that. And we do appreciate  
24 each one that has come.

25 Just a little bit of housekeeping, as you see,

1 we are having a little bit of construction going on. We  
2 do have some restroom Porta Potties outside, but over in  
3 the adjacent building we do have some regular restrooms.  
4 So make yourself welcome to go over and do that.

5 But, again, thank you. Thank each of you in  
6 the audience, Senator Dean, Diane, appreciate you all  
7 coming, and thank you again.

8 **CHAIRMAN CARTER:** Thank you very kindly. We  
9 really appreciate the hospitality that we have received  
10 receive from the great City of Live Oak. Thank you so  
11 kindly.

12 Do we have Mr. Wainwright from Suwannee  
13 County?

14 Okay. Thank you, so kindly.

15 Mr. Kelly.

16 **MR. KELLY:** The first speaker is Mr. Dick  
17 Williams.

18 **DICK WILLIAMS**

19 appeared as a witness and, swearing to tell the truth,  
20 testified as follows:

21 **DIRECT STATEMENT**

22 **MR. WILLIAMS:** Mr. Chairman, Commissioners,  
23 it's -- I appreciate the opportunity to be up here and  
24 speaking today. I certainly didn't think I was going to  
25 be the first to be up here. I was hoping I could say,

1 as they said, I agree. So I guess I'm stuck with  
2 starting out.

3 I'm here as a retired senior citizen. I am  
4 retired from the Florida Department of Environmental  
5 Protection. I have that retirement, and I am also --  
6 have Social Security. I would like to point out that I  
7 am also representing my area. I'm the president of the  
8 High Springs Area AARP. And it's in that behalf and in  
9 that position that I want to come before you today and  
10 speak.

11 I have heard a lot of numbers. I have heard a  
12 lot of figures. And it all sounds good, a million  
13 dollars here and a million dollars there. And I think  
14 if you were in my position and if you could stand out  
15 there once a month and look out over a room of 60 senior  
16 citizens from any anywhere from 60, 70, 80, 90 years  
17 old, and you hear them talk about the problems that  
18 they're facing, before this, I mean, the problems they  
19 have been facing for the last few years. It's an  
20 extremely difficult time for them. And I know you have  
21 heard it before.

22 It's a matter of are we are going to be able  
23 to afford the drugs that we desperately need to maintain  
24 our quality of life or can we actually go out and buy  
25 food? Can we help our grandchildren? Can we do this?

1 Can we travel? Can we enjoy our retirement years?  
2 These are questions they have been hard hit with over  
3 the last few years. And the answer in most of those  
4 cases is, no, they can't do it. They have to cut back  
5 and cut back and cut back. If it isn't the gas  
6 increases, it's the food increases.

7 And now we are talking about the cities, the  
8 city of High Springs, the city of Newberry, the city of  
9 Alachua, they're facing tough times. And how are they  
10 going to get the money to provide fundamental services  
11 to these people, to our senior citizens and to everyone  
12 in their communities? They have to increase their rates  
13 for fundamental services.

14 And now we have the Public Service Commission  
15 facing Progress Energy's request. Are we talking about  
16 money that they absolutely have to have to operate? No,  
17 we are not. We're talking about profit. And, again, as  
18 was pointed out earlier, who is making a profit today?  
19 Senior citizens have lost thousands of dollars in their  
20 retirement incomes, thousands of dollars because they  
21 invested in the stock market. They're not making  
22 9 percent interest. They have no hope of increasing it  
23 to 12 percent interest.

24 Is this money they absolutely have to have to  
25 operate? No, it is not. It's money they want to

1 increase their profitability. It is totally and  
2 completely unnecessary, and it's going to impose an  
3 extreme hardship, more hardship on top of hardship for  
4 the senior citizens of our community and our state, and  
5 it's unnecessary. And I plead with you to turn down  
6 this request.

7 Thank you.

8 **CHAIRMAN CARTER:** Thank you.

9 Mr. Kelly.

10 **MR. KELLY:** December McSherry.

11 DECEMBER MCSHERRY

12 appeared as a witness and, swearing to tell the truth,  
13 testified as follows:

14 DIRECT STATEMENT

15 **MS. MCSHERRY:** Good morning, Chairman and  
16 Board. The people of the United States, according to  
17 the Energy --

18 **CHAIRMAN CARTER:** Pull the mike to you little  
19 bit.

20 **MS. MCSHERRY:** This mike?

21 **CHAIRMAN CARTER:** Yes, ma'am.

22 **MS. MCSHERRY:** The people of America,  
23 according to of the Energy Information Administration,  
24 have already this year alone cut back their electrical  
25 use by 4 percent. People are making changes. And

1 they're trying to get their houses more efficient so  
2 their bills go down. They're interested in lowering the  
3 carbon pollution, the carbon dioxide pollution. They  
4 don't want more electrical power, because the carbon  
5 dioxide levels are so high right now. We have got to go  
6 reverse this trend.

7 In Florida alone, citizens have reduced their  
8 electrical power 3.23 percent. That's amazing. The  
9 power industry actually sold 3.4 percent less megawatt  
10 hours. From March '08 they sold 16,247 megawatt  
11 hours -- thousand megawatt hours. This year it went  
12 down to 15,696 megawatt hours. Now coal prices have  
13 gone up 18.7 percent, but natural gas prices have gone  
14 down 48 percent.

15 Progress Energy doesn't need more money. If  
16 50 percent is going into their fuel costs, we've already  
17 seen mass reductions in fuel prices. So let's tighten  
18 up the pocketbook. Let's lower the rates. Let's not  
19 build new nuclear power plants. The first speaker said  
20 that nuclear power is carbon free, when, in fact, it  
21 takes four coal-burning power plants in Paducah,  
22 Kentucky, to operate to process nuclear fuel rods to run  
23 one nuclear power plant. So it's a myth that that is  
24 carbon neutral.

25 That's all I have to say right now. Thank

1       you.

2                   **CHAIRMAN CARTER:** Thank you Very kindly.

3                   Mr. Kelly.

4                   **MR. KELLY:** Mr. Dennis Cason.

5                                   DENNIS CASON

6       appeared as a witness and, swearing to tell the truth,  
7       testified as follows:

8                                   DIRECT STATEMENT

9                   **MR. CASON:** Good morning, Mr. Chairman and  
10       Commission. My name is Dennis Cason of the Suwannee  
11       County Economic Alliance. The Alliance is the umbrella  
12       that the Chamber, the Development Authority, the Council  
13       for Progress and Tourist Development Council fit under.  
14       I'm not here speaking for any of those members; I'm just  
15       here speaking for Progress Energy. The things that I  
16       know about Progress Energy as far as how they  
17       interrelate with the communities.

18                   I do know that over the last seven years I've  
19       been in economic development in Suwannee County, and I  
20       have been in organizations, e-Florida, Enterprise  
21       Florida, OTED (phonetic), and I do know that Progress  
22       Energy works to further economic development in our  
23       communities. And I do know that they set aside funds  
24       for education, and I do know that they set aside  
25       funds -- I believe they have a grant -- and I also raise

1 funds to help individuals and people that are not able  
2 to pay their power bills. They are able to be --  
3 intercede there and give some money.

4 I just -- I don't want to get into any of  
5 the -- as far as the raises that they're asking for.  
6 That is not my expertise, but my expertise is to know  
7 that I have worked with and in and around in these  
8 organizations that Progress Energy has supported. They  
9 are good neighbors for the communities, not just in this  
10 state, but in North Carolina, and I really think that  
11 they do a good job.

12 Now, as far as whether they -- they need this  
13 raise or they don't need this raise, that's not for me  
14 to judge. But I do know that private enterprise, and I  
15 know companies are having to struggle. I know  
16 individuals that are private -- in the private sector, I  
17 know the senior citizens are having to struggle now.

18 But we also know that we have got to have  
19 somebody that can support this -- support our energy  
20 needs and be able to support the communities that they  
21 work in.

22 Thank you.

23 **CHAIRMAN CARTER:** Mr. Kelly.

24 **MR. KELLY:** Ted Ensminger.

25 TED ENSMINGER



1 appeared as a witness and, swearing to tell the truth,  
2 testified as follows:

3 DIRECT STATEMENT

4 **MR. ENSMINGER:** Commissioners, good morning.  
5 Chairman Carter, good morning.

6 My name is Ted Ensminger, and I serve the  
7 Madison County Florida area as the Executive Director  
8 for the Chamber of Commerce, I also serve the county as  
9 the Administrator for Tourist Development, and I'm a  
10 member of the Madison County Development Council.

11 What I have to say this morning is part yes  
12 and part no. And I am truly grateful that the decision  
13 that needs to be made here is yours and not mine. So  
14 hats off to you. I come before you this morning  
15 acknowledging that I know of no one, whether it be for  
16 business or for personal use, that would want or welcome  
17 additional costs for electrical services, or for  
18 anything for that matter.

19 Having said that, I also know this: During  
20 the past year that I have held this position, Progress  
21 Energy has demonstrated time and time again to the  
22 businesses and residents of Madison County that it is a  
23 good neighbor, and that it's conscientious of the needs  
24 of our community. Progress Energy for several years has  
25 been a leading supporter of our chamber of commerce and

1 of our community events, serving as title sponsor for  
2 primary annual events in our county. Progress Energy  
3 serves our community well with regard to economic  
4 development. In virtually all instances in negotiations  
5 with potential new businesses in our county, Progress  
6 Energy does all that it can in providing incentive and  
7 considerations to entice new development. And it's  
8 satisfying, especially in my shoes, to know that we do  
9 not need to second guess the availability of expanded  
10 custom -- expanded or custom electrical needs while  
11 soliciting new business to Madison county.

12 I think that perhaps a quote from Site  
13 Magazine, that's S-I-T-E, Site Magazine says it best.  
14 And I quote: Any peek into negotiations for a corporate  
15 real estate project will find at least one utility  
16 economic development officer at the table. Even as  
17 their organizations navigate the latest challenges in  
18 power production, security, permitting,  
19 alternative energy, deregulation and re-regulation, they  
20 are also in peak demand when it comes to representing  
21 your area's capabilities to corporate end users.

22 As recent as one month ago, our chamber  
23 received a call from a company out of Canada that is  
24 seriously considering Madison County for a new plant.  
25 And in our initial conversations with this company, they

1 asked specifically if Progress Energy served our area.  
2 They asked this, because part of what they do is to  
3 develop energy to be sold back to Progress Energy.

4 Additionally, this past year I personally  
5 witnessed Progress Energy taking the lead in educating  
6 first responders from throughout our area as to the  
7 dangers of electrical restoration after a hurricane,  
8 fire, or tornado.

9 So the bottom line is this: Progress Energy  
10 serves Madison County well. They are good neighbors.  
11 We could use a few more neighbors just like them.

12 Thank you very much.

13 **CHAIRMAN CARTER:** Mr. Kelly.

14 **MR. KELLY:** Penny Staffney.

15 PENNY STAFFNEY

16 appeared as a witness and, swearing to tell the truth,  
17 testified as follows:

18 DIRECT STATEMENT

19 **MS. STAFFNEY:** Good morning. Let's see, the  
20 PCS's (sic) role is to make sure consumers receive  
21 essential services in an affordable manner, exercising  
22 authority over the base and economic regulation,  
23 service, and competitive oversight. Well, headlines,  
24 500 million increase for the state of Florida. After  
25 watching the morning news and our federal problems,

1 500 million seems small. But if we bring that on the  
2 average household level it is roughly \$200 a year. I'm  
3 sure none of you would want to take \$200 out of your  
4 pocket and shred it up. It's not a lot to some of us,  
5 but then, again, for the businesses and commercial  
6 industries that their base rates are going to increase,  
7 who gets that passed on to? The consumers. So it's  
8 going to be a lot more than the \$200 a year per person.

9 So let's look at how they're doing financially  
10 since they were -- the gentleman at Progress said that  
11 they need a financially healthy company to lure in the  
12 investors.

13 Well, looks at some of their -- what they said  
14 about themselves. They are a for-profit business. And  
15 on their website it says that for 21 straight years they  
16 have had dividend growth. Sounds pretty good. They  
17 have also paid out in 2007 1.7 billion in dividends.  
18 That's pretty fat. 2007 to '08, their income increased  
19 326 million. That's just the difference from one year  
20 to the next. Their stock prices in 2008 continued to  
21 increase. Again, very nice.

22 Now, let's see their competitive oversight.  
23 Did you know, PSC, that they have the highest rates in  
24 the state of any publicly traded utility? You should  
25 know that, because you allowed it. Okay.

1           Let's see. Miscellaneous revenues. They have  
2 an early cost-recovery that you folks have allowed them,  
3 and that's not the issue today, but what that is, to  
4 refresh people's memory, is for future prospects, I  
5 guess in Levy County there is hope of building another  
6 new power facility, which the state needs. But I know  
7 of no other for-profit company that gets to have a  
8 monthly charge on the bills that the people are paying  
9 for future speculation that may or may not happen.  
10 That's pretty nice, because if I tack that on at my  
11 business, people might go down the road because of these  
12 extra fees. But, again, we are talking about a  
13 oligopolies or monopolies, which is the case with  
14 Progress Energy.

15           Let's look at how they spend their money. In  
16 2007 the top 20 executives more than doubled their  
17 salary, and I'm not talking about one million to  
18 2 million; I'm talking 4 million to 9 million. The top  
19 dog doubled his from 9 million to \$20 million per year.  
20 Wow! Think of doubling your salaries. That'd be sweet.  
21 That's some excessive money. Now 2008, I will give them  
22 that, they backed down their salaries; but then, again,  
23 they rolled it into stock options, and the base salaries  
24 still were not at the 2006 levels that they were.

25           They also spend their money on ads, millions

1 of dollars in advertising. Why? They're a monopoly or  
2 oligopoly. I mean, they're going to get the business.  
3 They also have naming rights to a stadium, I believe, in  
4 Tampa. That will save them a few millions.

5 Let's see what else in their miscellaneous  
6 that they've got here. They -- as the PSC should know,  
7 in 2006 and '07 they were overcharging on their fuel,  
8 which should be a direct washout. They were  
9 overcharging the public, and you folks mandated that  
10 they pay that back. I believe we got checks for that.  
11 And then they turned around and did it, again, in 2008,  
12 and just recently you have put out that they have to pay  
13 it back with interest. But I think it's going to be a  
14 quarter a month. That's what I heard. So they have  
15 mischarged customers with the direct pass-through of the  
16 fuel cost for three years now. And they have even, like  
17 I said, been called on it. This is the second time.

18 Now, I don't know if they are careless with  
19 money or what, but their bond ratings are Bs, and B is  
20 the lowest investment grade. So why are the bond rating  
21 companies thinking Progress Energy is not so hot? And  
22 like I said, fuel costs are supposed to direct  
23 pass-through, and so that is an irrelevant factor, so  
24 people don't think that.

25 They have also as a fact -- I am the finance

1 director for the City of Perry, and I can tell you  
2 personally for my city and other cities' experience that  
3 they flagrantly ignore franchise contracts and also  
4 customer contact can be made as inconvenient as  
5 possible.

6 And to address the Progress Energy's person  
7 about their the wonderful service during Hurricane  
8 Katrina, that's true. And all the power companies kind  
9 of have an agreement where they work with each other and  
10 they all help each other restore power quickly. So  
11 that -- all the utility companies have a great  
12 cooperative relationship. And, also, I believe FEMA  
13 helps them, and probably reimburses them.

14 Capitalism is great. This is America, and I'm  
15 all for that, but let's not abuse it. The company is  
16 making money. The stockholders are making money. The  
17 customer are getting their essential services. You  
18 know, there's absolutely no good reason for them to  
19 increase rates other than greed. You know I was taught  
20 it never hurts to ask for something, because the worse  
21 thing you can hear is maybe a no. But they come here  
22 every six or eight months looking for a rate increase.  
23 Because didn't they have a 25 percent rate increase, and  
24 when the economy got bad, they gave 10 percent back. So  
25 they are still ahead 15 percent. This was, what, last

1 year. And now they're asking to increase again. I  
2 think you all should penalize them one percent just for  
3 wasting all of our time with this. This is ridiculous.  
4 They're making big money.

5 I appeal to the Commission. You are all  
6 leaders in this state, every one of you. And, yes,  
7 there are green shoots in the economy, but it is still  
8 not solved. We all know that. And I don't want to talk  
9 about -- cap and trade might mirror this same amount of  
10 money to the homeowners. So 200 here, 200 there, that  
11 become four and \$500. And, again, the residual is down  
12 to the consumers. So this does not need to be on the  
13 backs of consumers. I challenge you to please, be part  
14 of the solution.

15 **CHAIRMAN CARTER:** Thank you.

16 Mr. Kelly.

17 **MR. KELLY:** Jeff Hendry.

18 JEFF HENDRY

19 appeared as a witness and, swearing to tell the truth,  
20 testified as follows:

21 DIRECT STATEMENT

22 **MR. HENDRY:** Thank you for the opportunity to  
23 be here. Jeff Hendry, and I'm representing the North  
24 Florida Economic Development Partnership. And that  
25 partnership, basically, is a 14-county area that's



1 designated as ARACEC, which is a rural area of critical  
2 economic concern. Our job through the partnership for  
3 these 14 counties, the businesses that are in those  
4 counties, the communities, the cities, the counties, the  
5 school districts, the bottom line is our job, I feel  
6 like, is to promote the assets and the resources to  
7 attract economic development to this region. It's  
8 designated as a critical area for a number of reasons,  
9 the characteristics of these 14 counties of which  
10 Suwannee is one of those.

11 This has been so educational for me, and I  
12 mean that genuinely. Mr. Kelly, your explanation and  
13 the gentleman from Progress Energy, it's so far above my  
14 pay grade I can't even begin to understand everything.  
15 What I would say is what a number of people have said  
16 and others have as well, is that, you know, to the  
17 partnership, Progress Energy has been a good partner.  
18 They have been a friend to our businesses, to our  
19 communities. I am not here to judge whether a rate  
20 increase, given my limited expertise, whether that's  
21 justified or not. What I will tell from you this  
22 region's standpoint is that what we have got to have is  
23 a viable, reliable, partner in the energy and  
24 communications and those types of infrastructure in  
25 order to attract a business, retain the business that we

1 have, so we can generate jobs for the people in this  
2 area.

3 And so with that said, I don't envy your job.  
4 Obviously, it's a very tough one. I respect and admire  
5 your willingness to hear this. And, again, I am not  
6 here one way or another. It is so far, again, above my  
7 pay grade. But I will just tell you that they have been  
8 a good partner to the partnership. I appreciate  
9 everything you do as public servants as well. And I  
10 thank you for the time.

11 **CHAIRMAN CARTER:** Thank you.

12 Mr. Kelly.

13 **MR. KELLY:** Henry Land.

14 HENRY LAND

15 appeared as a witness and, swearing to tell the truth,  
16 testified as follows:

17 DIRECT STATEMENT

18 **MR. LAND:** Thank you. Henry Land, Hamilton  
19 County Emergency Management. As most Floridians or most  
20 Americans, I do not necessarily agree with a rate  
21 increase. But, also, as a small business owner, I  
22 understand the cost of doing business. On the emergency  
23 management side, I have to work closely with Progress  
24 Energy on several aspects. During the time of a  
25 disaster, Progress Energy is Johnny-on-the-spot. They

1 are right there to try to do anything they can do to try  
2 to assist us in restoring power, because in everyday  
3 life now people require electricity. They have to have  
4 it. And at the times that we do not have it, that makes  
5 my job a lot harder, and they are there at any time. If  
6 I have a question concerning length of time that there  
7 is going to be an outage, Progress Energy is there to  
8 answer that question. Twenty-four hours a day, seven  
9 days a week, 365 days a year, Progress Energy is there  
10 standing by my side to assist me in providing service  
11 back to these people and to getting their lives back in  
12 a daily routine. And that's what I have.

13 Thank you.

14 **CHAIRMAN CARTER:** Thank you.

15 Mr. Kelly.

16 **MR. KELLY:** Jacqueline, if I get this right,  
17 Sulek.

18 JACQUELINE SULEK

19 appeared as a witness and, swearing to tell the truth,  
20 testified as follows:

21 DIRECT STATEMENT

22 **MS. SULEK:** That's Smith in Czechoslovakian.

23 (Laughter.)

24 Greetings, Chairman, Mr. Chairman, and members  
25 of the board. I didn't really come here expecting to

1 speak today. But since there really has been a call to  
2 speak, I butched up a made a couple of notes to share  
3 with you.

4 I don't think you really heard the personal  
5 side of this today, and I must say I'm fortunate not to  
6 be one of the people who is going to be hurt the most.  
7 I live in the small town of Fort White. Fort White is  
8 close to Lake City where the average household income is  
9 \$20,000 a year. Pretty shocking. I work for a  
10 nonprofit, and in these financial times we all know how  
11 difficult it is to make ends meet. We have been  
12 asked -- first of all, we are not getting merit raises.  
13 We are -- my travel and miscellaneous budget has been  
14 cut completely.

15 We have -- they have proposed an in-work place  
16 giving program where you can actually lower your own  
17 income and get a tax break for that. I took a 3 percent  
18 decrease in my pay to do that to support my  
19 organization. So I'm one of the lucky ones; I still  
20 have a job, and I wake up every day feeling very lucky  
21 about that.

22 I work for a nonprofit that is also an  
23 environmental organization. And one of the things we  
24 are working on is climate change. So that's great.  
25 What can I do in my own household to eliminate some of

1 the consummative habits that I have? I have put up a  
2 clothesline. My neighbors are starting to mimic me. I  
3 don't iron my clothes. I don't know if you noticed  
4 that. That saves on energy as well. All of my clothes  
5 are washed in cold water. I turn off the air  
6 conditioning every night, and I also don't turn it on  
7 until it's about 82 or 83 in the morning, or in the  
8 early afternoon. I unplug my computer every night, my  
9 stereo, my -- all the elements that drain, that tap  
10 energy. I'm really, really working hard at this.

11 So I have been comparing my bills to last  
12 year. And my bills have gone up in spite of the fact  
13 that I have done everything possible to eliminate my  
14 consumption. I don't see Progress Energy working on  
15 conservation at all. I see a culture of building more,  
16 bigger, better, not working with us to solve energy --  
17 the energy use problems.

18 So what I would say is I agree with many of  
19 these folks who have said what a great partner Progress  
20 Energy is. I know they do support local communities a  
21 lot and, clearly, they have program to help people  
22 offset their expenses if it is really, really that  
23 tough. But my vision would be if they are really such a  
24 great neighbor, then why put additional financial burden  
25 on our neighborhood at this time with such financial

1 crisis? So I would say if in the future perhaps they  
2 need to increase the rates, so be it. But I do not  
3 believe this is the time.

4 Thank you.

5 **CHAIRMAN CARTER:** Thank you.

6 Mr. Kelly.

7 **MR. KELLY:** Arthur, I apologize, Maruna.

8 ARTHUR MARUNA

9 appeared as a witness and, swearing to tell the truth,  
10 testified as follows:

11 DIRECT STATEMENT

12 **MR. MARUNA:** That's exactly right, thank you.

13 Arthur Maruna from Chiefland, Florida, which  
14 is in Levy County. And I agree very much with our  
15 friend from Czechoslovakia, being from Bohemia myself.  
16 I came here today with AARP, which, as you know, is a  
17 senior element of our society. However, I have been  
18 given permission to speak on my behalf and the low  
19 income people of Florida, which I don't think have been  
20 covered so far today.

21 Of the 30 -- of the 67 counties in Florida, 37  
22 of them are rural counties. In your rural counties you  
23 don't have the high income jobs that you have on the  
24 panhandle or down the east coast. I'm sure Senator Dean  
25 can tell you that most of the employment opportunities

1 in these rural counties are farm oriented. Therefore,  
2 the average income of this population is around 17,000 a  
3 year. That's not a whole lot of money to try to support  
4 a family, pay your mortgage, and your high electric  
5 bill, especially now when you have so many people  
6 unemployed. Those that were in building trades, so many  
7 of them have been laid off because housing is not being  
8 built, industrial buildings are not being built.

9 These people are unemployed, and yet here is  
10 an energy organization coming forward to say we want a  
11 12 percent or a 31 percent increase and let the  
12 low-income people pay for it. Where are they going to  
13 get the money to pay for it? They have got children to  
14 put through school, to feed. There's just no way that  
15 they can come up with this kind of money. Now, prior to  
16 my present activity, I was a SHINE (phonetic)  
17 representative, and I got to meet with an awful lot of  
18 low income people. And I recall one little lady, 82  
19 years old, trying get along on \$332 a month. But she  
20 got food stamps, ten dollars a month in food stamps.  
21 That just blew me away. How are people like that going  
22 to pay for a \$13 a month increase? I mean, that is 180,  
23 \$200 a year. Where are they going to get the money to  
24 pay for that?

25 I mean, the electric company says, well, we

1 just want more money. We want more income. We want  
2 more profit. Yes, everybody wants profit, but this is  
3 not the time to do it. And if you give this group an  
4 increase like they're asking for, isn't it logical that  
5 all of the other electric companies are going say, hey,  
6 look what they got. If they got it, we can get it. We  
7 will all ask for big increases, why not?

8 I mean, you, the Public Service Commission,  
9 are protecting us, the population of Florida, and not  
10 just the wealthy population, but the low-income people  
11 that just plain and simple do not have the money, and  
12 they need your protection. I seriously hope that you  
13 will turn down this request or at least reduce it to a  
14 reasonable level. What they are asking for is totally  
15 unreasonable, and we really look for your support.

16 Thank you.

17 **CHAIRMAN CARTER:** Thank you very kindly.

18 Mr. Kelly.

19 **MR. KELLY:** Alton Scott.

20 ALTON SCOTT

21 appeared as a witness and, swearing to tell the truth,  
22 testified as follows:

23 DIRECT STATEMENT

24 **MR. SCOTT:** Thank you very much. Alton Scott,  
25 Emergency Management Lafayette County.



1           First of all, I would like to make a statement  
2 about our Suwannee River. Last April it went nuts on  
3 us, and the people, most of them looked forward to  
4 Progress Energy and Suwannee Valley Electric, because  
5 that was the first thing that went out was the  
6 electricity. Suwannee Valley and Progress Energy, both  
7 proceeded to the incident and were exceptional, and they  
8 were there from the beginning to the end. And they went  
9 out of their way to protect the people of all the  
10 counties especially that were affected by the big flood.

11           I am also a member of the Suwannee Valley  
12 Long-Term Recovery. I would like to tell you or inform  
13 you that Progress Energy also assists in the recovery  
14 efforts monetarily for those that can't afford it. So  
15 they go out of their way, not only to help individuals,  
16 but through the community. They assist the communities  
17 in doing the same. And I would like to stand before you  
18 to at least inform you that Progress Energy is an  
19 excellent partner for our area.

20           Thank you very much.

21           **CHAIRMAN CARTER:** Thank you so kindly.

22           Mr. Kelly.

23           **MR. KELLY:** That's all the names I have,  
24 Mr. Chairman.

25           **CHAIRMAN CARTER:** Is there anyone else here

1 that wanted to speak, or did not have a chance to speak?

2           Commissioners, let's do this. We have been  
3 going for a little over an hour and a quarter. I'm  
4 going to just suggest that we take maybe a ten-minute  
5 recess, maybe come back in on the half hour, and see if  
6 anyone is here. If not, then we will make a decision on  
7 the rest of the hearing. With that, we're on recess.

8           (Recess.)

9           **CHAIRMAN CARTER:** Okay. We're back on the  
10 record, and when we last left, we wanted to take an  
11 opportunity to make sure that we went above and beyond  
12 the call of duty to see if there's anyone that had an  
13 opportunity -- that wanted an opportunity to speak that  
14 did not have it, and we wanted to give you that chance  
15 now.

16           Is there anyone here in the audience that  
17 wanted to speak that did not have an opportunity to  
18 speak this morning? Can we have someone check with our  
19 staff out front to see if there is anyone that has  
20 signed up or in the line to sign up? (Pause.)

21           **UNIDENTIFIED SPEAKER:** No.

22           **CHAIRMAN CARTER:** There's no one.

23           Commissioners, we have heard from all the  
24 people that were here today, and there is no one outside  
25 sign up to hear again; and, again, next week we will

1 start anew with several cases.

2 I want to, first of all, thank the parties,  
3 thank Jack Shreve from the Governor's Office, thank  
4 Mr. Kelly. My fellow Commissioners, thank you. Thank  
5 you to our staff. To the wonderful City of Live Oak, we  
6 thank you from the depths of our heart for the wonderful  
7 hospitality we have felt here, being here in this  
8 facility.

9 And with that, Commissioners, we are  
10 adjourned.

11 (The hearing concluded at 11:32 a.m.)  
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STATE OF FLORIDA )

: CERTIFICATE OF REPORTER

COUNTY OF LEON )

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

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

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

DATED THIS 4th day of August, 2009.



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JANE FAUROT, RPR  
Official FPSC Hearings Reporter  
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