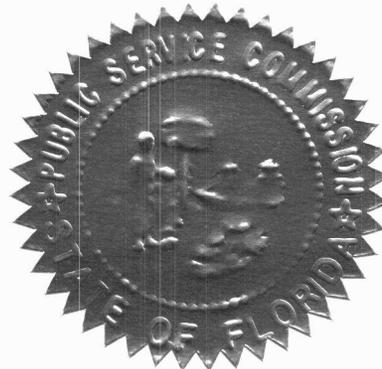


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 100462-GU

In the Matter of:

JOINT PETITION OF PEOPLES GAS
SYSTEM AND OFFICE OF PUBLIC
COUNSEL FOR APPROVAL OF
STIPULATION AND SETTLEMENT
AGREEMENT FOR POSSIBLE
OVEREARNINGS FOR CALENDAR YEAR
ENDING DECEMBER 31, 2010.



PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 5

COMMISSIONERS
PARTICIPATING: CHAIRMAN ART GRAHAM
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER RONALD A. BRISÉ
COMMISSIONER EDUARDO E. BALBIS
COMMISSIONER JULIE I. BROWN

DATE: Tuesday, January 25, 2011

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

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

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P R O C E E D I N G S

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3 **CHAIRMAN GRAHAM:** Item Number 5.

4 **COMMISSIONER EDGAR:** Mr. Chairman?

5 **CHAIRMAN GRAHAM:** Yes.

6 **COMMISSIONER EDGAR:** I did push that button.

7 Would it be possible to take a five-minute break before
8 we begin this item, please?

9 **CHAIRMAN GRAHAM:** Sure.

10 **COMMISSIONER EDGAR:** Thank you.

11 **CHAIRMAN GRAHAM:** We'll take about a
12 five-minute break. Take your time switching seats.

13 (Recess taken.)

14 Okay. I think we're about ready to get
15 started again. We are on Item Number 4 [sic].
16 Staff, let's kick this off.

17 **MR. SLEMKEWICZ:** John Slemkewicz with Staff.
18 Item Number 5 is a stipulation between Peoples Gas
19 System and the Office of Public Counsel. The
20 stipulation concerns the disposition of any overearnings
21 for calendar year 2010.

22 The major elements of the stipulation are
23 2010 earnings are capped at the maximum authorized
24 return on equity of 11.75 percent. There will be a
25 \$3 million credit refund as a one-time credit to

1 customers' bills, and any overearnings in excess of
2 the \$3 million will be used to correct or mitigate
3 deficiencies in the depreciation reserve.

4 Staff is recommending approval of the
5 stipulation, and representatives of the Company and
6 OPC are present, and Staff is prepared to answer any
7 questions.

8 **CHAIRMAN GRAHAM:** Thank you, Staff.

9 Mr. Rehwinkel.

10 **MR. REHWINKEL:** Mr. Chairman and
11 Commissioners, Charles Rehwinkel with the Office of
12 Public Counsel. I'm just here to answer any questions
13 the Commissioners may have and support Staff's
14 recommendation.

15 **CHAIRMAN GRAHAM:** Thank you, sir.

16 Peoples?

17 **MR. WATSON:** I'm Ansley Watson, the
18 Macfarlane, Ferguson & McMullen Law Firm in Tampa. And
19 I have with me Carlos Aldazabal from Peoples Gas System,
20 and we're basically here to answer any questions as
21 well.

22 **CHAIRMAN GRAHAM:** Thank you. I appreciate it.

23 I have to tell you, I guess for
24 consistency purpose, I like the stipulations. I
25 like when you guys come together and work this stuff

1 out and do it. It makes our job a lot easier and I
2 think it makes things a lot -- consistent. You guys
3 are plugged into the industry, you know what's going
4 on. And the more and more of that stuff we can do,
5 I think, and I can only speak for myself, the more
6 and more better leeway you'll probably get from this
7 board. And I think those are things moving in the
8 right direction, so I encourage that as much as
9 possible. I like it best when you guys come into
10 the sandbox and play well, very well together.

11 That all being said, we're back here to
12 the Commission board. Commissioner Edgar.

13 **COMMISSIONER EDGAR:** Thank you, Mr. Chairman.

14 I certainly have been a proponent of many
15 settlements and stipulations in the past. I don't
16 know that I'd go quite so far as saying that
17 approval of one item would change my decision or add
18 additional leeway on future items, but that's just
19 speaking for myself of course.

20 For the record, if I could ask the Company
21 and also OPC very briefly to give us an overview of
22 the points that you see most as a positive from this
23 agreement that you have brought to us.

24 **MR. WATSON:** They're, they're fairly simple,
25 Commissioner Edgar. We were estimating about 11.3,

1 four, five million in overearnings. That number grew.
2 The, the vast majority of it is attributable to the
3 record cold January we had in 2010. There were some
4 snowballing effects, if you will, for that number that
5 resulted in the number not being reduced during the
6 remainder of 2010.

7 But I think when you come to the
8 settlement, there is a balancing of the interest of
9 the Company and the ratepayers, long and short-term
10 interest.

11 In the short-term, the ratepayers will get
12 an immediate refund of \$3 million, a reduction in
13 their bills, a one-time reduction. In the
14 long-term, the balance of the overearnings over
15 3 million will be used to reduce depreciation, or to
16 mitigate or correct fully depreciation reserve
17 deficiencies, which should operate in the long-term
18 best interests of the customers. So there, there
19 was a balancing. The 3 million was taken off the
20 top because we didn't know how much the overearnings
21 would ultimately be, so OPC and the customers got
22 the, the first 3 million, with, with any balance to
23 go to depreciation reserve deficiency corrections.

24 **COMMISSIONER EDGAR:** Thank you.

25 Mr. Rehwinkel.

1 **MR. REHWINKEL:** Thank you, Commissioner Edgar.

2 I just want to say at the outset that
3 Public Counsel recognizes that Staff, your Staff
4 brought this matter to everyone's attention and they
5 initiated this process. The Staff came in and asked
6 the Company to voluntarily put their entire 2010
7 earnings subject, overearnings subject to refund and
8 the Company did agree to do that. And I say they
9 did it in a voluntary fashion because at the time
10 the Staff asked them to provide the letter we were
11 halfway through the year almost, and so what the
12 Company did was to put amounts retroactively subject
13 to refund. They did that in good faith. And in, in
14 recognition of that, the Public Counsel worked with
15 the, with the Company to resolve the overearnings.

16 We recognized that when you put money
17 subject to refund like the Staff process initiated,
18 you are beginning the process to actually look at
19 perhaps changing rates. We did discuss whether
20 rates should be changed. But as Mr. Watson
21 mentioned, the data that they showed verified that
22 the revenues that generate the overearnings were
23 predominantly in the first four months of the year.
24 In that regard, we believe that getting a refund up
25 front to the customers with the balance going to

1 correct reserve deficiencies was a good balance for
2 current customers; current customers because they
3 get a refund of, of revenues. And those same
4 current customers get a, get a benefit because the,
5 the balance of the overearnings go to reduce a
6 depreciation reserve deficiency that in the next
7 rate case will mean that the rate base would be
8 lower than it otherwise would be and depreciation
9 rates would be theoretically lower than they
10 otherwise would be, which would mean depreciation
11 expense and revenue requirements would be lower.

12 So we think that both of those elements of
13 the stipulation benefit customers and they balance
14 the short-term and the long-term interests of
15 current customers as well as future customers.

16 So we believe that this is a good
17 resolution and we again commend Staff for kicking
18 this process off and bringing the parties to the
19 table. Thank you.

20 **COMMISSIONER EDGAR:** Thank you. And thank
21 you, Mr. Chairman. I appreciate the opportunity to have
22 each of them speak to it in a little more detail, and at
23 the appropriate time I look forward to voting in favor.

24 **CHAIRMAN GRAHAM:** Okay. Commissioner Balbis.

25 **COMMISSIONER BALBIS:** Thank you, Mr. Chair.

1 One problem with the button, there should
2 be an undo button because when they respond to
3 another question, a lot of times they answer the
4 question I had. Again, I just wanted to point out
5 that this is a successful use of the earnings cap
6 letter process, and that's something we discussed at
7 the last, excuse me, the last meeting. And I
8 commend the Utility and OPC and Staff for using that
9 useful tool to deal with potential overearnings.

10 And the other question I had was answered
11 by Mr. Watson concerning the 15.96 percent
12 overearnings in September and how the anticipated
13 depreciation reserve, that adjustment will handle
14 that. So with that I don't have any further
15 questions.

16 **CHAIRMAN GRAHAM:** Thank you, sir.

17 Commissioner Brown.

18 **MS. BROWN:** I was just going to reiterate that
19 I, I commend Staff, OPC and Peoples Gas for having a
20 meeting of the minds. This settlement agreement is
21 definitely in the public interest and I'm elated that it
22 all came together. So excellent job.

23 **CHAIRMAN GRAHAM:** Thank you.

24 Commissioner Edgar.

25 **COMMISSIONER EDGAR:** Mr. Chairman, I would

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move that we approve the Staff recommendation on all issues in this item.

COMMISSIONER BALBIS: Second.

COMMISSIONER BRISÉ: Second.

CHAIRMAN GRAHAM: It's been moved and seconded to move Staff recommendations on Item Number 5. Any further discussion? Seeing none, all in favor, say aye.

(Vote taken.)

Those opposed? By your action, you've approved Staff recommendation on Item Number 5.

(Agenda item concluded.)

* * * * *

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

3
 4 I, LINDA BOLES, RPR, CRR, Official Commission
 Reporter, do hereby certify that the foregoing proceeding
 5 was heard at the time and place herein stated.

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

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

12 DATED THIS 28th day of January,
 2011.

13
 14 Linda Boles
 15 LINDA BOLES, RPR, CRR
 FPSC Official Commission Reporter
 16 (850) 413-6734