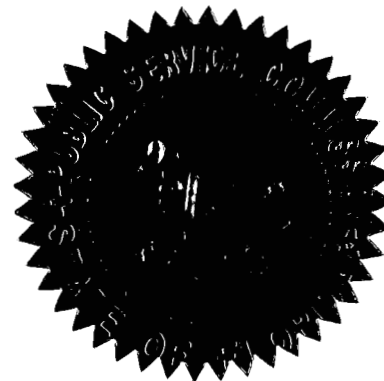


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 070001-EI

In the Matter of:

FUEL AND PURCHASED POWER COST RECOVERY
CLAUSE WITH GENERATING PERFORMANCE
INCENTIVE FACTOR.



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PROCEEDINGS: AGENDA CONFERENCE
ITEM NO. 13

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

DATE: Tuesday, August 28, 2007

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

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

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FLORIDA PUBLIC SERVICE COMMISSION

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FPSC-COMMISSION CLERK

1 PARTICIPATING:

2 NORMAN H. HORTON, JR., ESQUIRE, and CHERYL MARTIN,
3 representing Florida Public Utilities Company.

4 LISA BENNETT, ESQUIRE, KEINO YOUNG, ESQUIRE, and
5 SID MATLOCK, representing the Florida Public Service Commission
6 Staff.

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P R O C E E D I N G S

CHAIRMAN EDGAR: Item 13.

MR. MATLOCK: Good morning, Commissioners. I'm Sid Matlock of the Commission staff.

Staff has some corrections to make to its recommendation. On Page 3, in the recommendation paragraph for Issue 1, the third sentence contains an incorrect number of dollars. The number of dollars should be 915,677. The same correction should be made on Page 5 in the third conclusion paragraph for Issue Number 1. The first sentence contains the same incorrect number, and the number should be 915,677.

On Page 4, Paragraph 3, Sentence 2, there are two percentages stated. The 4.19 percent should read 5.11 and the 4.87 percent should read 5.78.

On Page 8 in Appendix A, we have some tables. There is a table for FPUC's Marianna division, and these tables contain some cents per kilowatt hour figures which are proposed cost-recovery factors. The right-hand column in the Marianna table going down from top to bottom, those cents per kilowatt hour should read 5.348 for Rate Schedule RS; for Rate Schedule GS, the figure should be 5.291; for GSD, the cents per kilowatt hour should be 5.096; GSLD should be 4.915; OL should read 4.343; and SL should be 4.344. And those are all of the modifications.

CHAIRMAN EDGAR: Okay. Before we move into the item,

1 Commissioners, any questions about the typographical error
2 changes that have been made by our staff here before us now?

3 Okay. Then let's go right into it, if you would.

4 MR. MATLOCK: Thank you.

5 Item Number 13 addresses Florida Public Utilities
6 Company's petition to correct its cost-recovery factors for
7 2007, with the correction being made in the last three months
8 of 2007. Florida Public Utilities Company has estimated its
9 2007 underrecoveries for the end of the year, and these are the
10 dollar amounts that the utility is seeking to recover in the
11 last three months.

12 Although the underrecoveries are small relative to
13 revenues, they are significant in the petition because they
14 would be collected over three months rather than 12 months.
15 Due to foreseeable purchased power price increases for 2008,
16 FPUC has petitioned for correction to its cost-recovery factors
17 to prevent carrying these 2007 underrecoveries into 2008 and
18 adding the underrecovery dollars to the amounts to be collected
19 next year.

20 Commission staff and FPUC representatives are
21 available to answer your questions regarding the proposed
22 corrections.

23 CHAIRMAN EDGAR: Thank you.

24 Mr. Horton.

25 MR. HORTON: Yes, ma'am. Norman H. Horton, Jr., on

1 behalf of Florida Public Utilities, and also with me is
2 Ms. Cheryl Martin with Florida Public Utilities. We support
3 the staff; we're here to answer questions.

4 CHAIRMAN EDGAR: Thank you.

5 Commissioners, any questions for our staff or for the
6 company representatives that are with us today?

7 Commissioner Argenziano.

8 COMMISSIONER ARGENZIANO: Thank you, Madam Chair.

9 My only concern is the increases to the consumer. It
10 appears, and I believe in talking with staff yesterday that
11 there may be some other rate case issues coming up in November,
12 and it looks like the consumer may take three or four, I won't
13 say hits, but three or four, you know, times in the next
14 several months an increase. And I'm not saying the increases
15 are not justified. I understand the company has provided the
16 consumer with pretty good rates in the past compared to most,
17 and I'm happy about that. But rather than doing -- I guess the
18 question would be, wouldn't it be wiser and -- if I were the
19 consumer I could be irritated. Understanding that, you know,
20 there is an increase now and then an increase again, I think --
21 is it January? Staff can help me there. And a possible rate
22 increase in November, or a rate case in November.

23 MR. MATLOCK: The ordinary fuel cost-recovery factor
24 will be going up in January. We have a rate case pending which
25 also would affect rates over -- it would affect overall rates,

1 not just fuel.

2 COMMISSIONER ARGENZIANO: Madam Chair. So if they
3 have got the recovery cost now, or in September, to the
4 consumer, that's going to be one increase, and then possibly
5 looking at a rate case -- is it November?

6 MR. MATLOCK: I believe it's November.

7 COMMISSIONER ARGENZIANO: And then another increase
8 in January. Wouldn't it be wiser instead of doing this
9 three-month recovery to do that in January all at once? And
10 that's for the company.

11 MS. MARTIN: Hi. My name is Cheryl Martin, and I'm
12 Controller for Florida Public Utilities. We've looked at this
13 issue quite extensively trying to look for ways to minimize the
14 impact to our customers, but it's our feeling that rolling this
15 underrecovery over into 2008 would be much more detrimental
16 just from the aspect of budgeting and allowing the customers
17 the ability to pay for their fuel costs. We know the costs are
18 going up quite significantly in January, and then again
19 depending on the outcome of our rate case, even additional
20 beyond that.

21 And we have done a lot of work with a PR firm, and we
22 have polled our customers, and one of the most significant
23 things that we found during some of that research was that our
24 customers were very interested in allowing them to kind of ease
25 into the rate increases. So it is our feeling that that is

1 something that would be beneficial to the customers, and it
2 also seems appropriate to collect that money in the period that
3 it's incurring and not further burden them in 2008.

4 CHAIRMAN EDGAR: Commissioner.

5 COMMISSIONER ARGENZIANO: Well, that helps me. So
6 you're saying the majority of the responses you have had were
7 okay with -- I was just thinking four times seeing an increase,
8 possibly they might just say, hey, enough. But if you have
9 polled them and that is the majority of the responses you have,
10 then I'm comfortable with that.

11 MS. MARSH: Yes, that's correct.

12 COMMISSIONER ARGENZIANO: Okay. Thank you.

13 CHAIRMAN EDGAR: Commissioner McMurrrian.

14 COMMISSIONER McMURRIAN: Thank you. I just had a
15 question about the notice to customers. I know that someone
16 dropped off the notice I have in front of me. It says notice
17 to customers, a mid-course fuel and purchased power
18 cost-recovery clause rate increase. And I just wanted to know
19 was this something that has already been sent or something that
20 will be sent? It looks as if it was something that was sent
21 ahead of time, because it says if approved by the Public
22 Service Commission the increase will be applied. So is this
23 something that has already been sent to notify? I guess I
24 should ask Mr. Horton. Do you know?

25 MR. HORTON: No, ma'am. No, ma'am, that has not

1 been -- it will be sent today or tomorrow.

2 COMMISSIONER McMURRIAN: Okay. I guess my second
3 question, then, is when I looked over this there was an
4 explanation about based on 1,000 kilowatt hours of electricity,
5 this would be the rate that customers would pay, and that
6 reflected an increase of 9.52 and then 12.15. And I was just
7 wondering if there might be some benefit, and I just wanted to
8 raise this, some benefit -- because of some feedback we heard,
9 I believe, when we were over in Marianna on a different issue,
10 I was just wondering if it might be clearer if we said
11 something like depending on usage, the amount of the increase
12 may be lower or higher than the 9.52 or the 12.15. Just to
13 make it extra clear that we realize not everyone uses 1,000
14 kilowatt hours of electricity. I just throw that out for your
15 comments.

16 MR. HORTON: Well, number one, that has already been
17 printed.

18 COMMISSIONER McMURRIAN: Okay.

19 MR. HORTON: And it is about a two-week lead time to
20 get those notices printed and out, and we did run that by
21 staff. But that's a good idea. We'll be happy to incorporate
22 that in future notices.

23 COMMISSIONER McMURRIAN: I don't know that,
24 Commissioners, I would ask for them to be reprinted. I guess I
25 just -- some of the things that we talked about at that one

1 customer hearing -- and, Chairman, you were there -- it just
2 seemed like there was some confusion over numbers that were
3 printed in one of our publications versus numbers they saw on
4 their bills, and it didn't seem like it was entirely clear.
5 And I think some of that was about maybe gross receipts tax and
6 that sort of thing, and that wouldn't be factored in.

7 I don't want to ask for them to be reprinted, though,
8 because I know that will be additional cost and might
9 eventually affect the customers, as well. But I just wanted to
10 raise that because I did look it over, but I realize it's not
11 timely.

12 CHAIRMAN EDGAR: And, Commissioner, my memory is
13 similar to yours. I think there were some questions, and it
14 was -- my understanding and from our staff was that everything
15 was correct, but the way it was presented and what was rolled
16 up and what was included in some of the descriptions was a
17 little different than the way it was rolled up and included in
18 some other descriptions, which had, I think, caused some
19 questions.

20 Are there other questions, Commissioners?

21 Commissioner Skop.

22 COMMISSIONER SKOP: If there are no other questions,
23 at the appropriate time, Madam Chair, I would like to make a
24 motion to approve staff recommendation subject to the oral
25 modifications that the staff corrected within its

1 modifications.

2 CHAIRMAN EDGAR: Commissioner Argenziano.

3 COMMISSIONER ARGENZIANO: Yes. I asked for that
4 notice yesterday.

5 Larry, did you get the notice? Okay. I would like a
6 copy of it.

7 CHAIRMAN EDGAR: And I'm sure that staff will be glad
8 to comply. Okay. Are there other questions on the item while
9 we are in our discussion stage?

10 There are not. Then, Commissioner Skop, you are
11 recognized for a motion.

12 COMMISSIONER SKOP: Thank you, Madam Chair.

13 I would like to respectfully move that we accept the
14 staff recommendation subject to the oral modifications to the
15 recommendation that were provided to us.

16 COMMISSIONER CARTER: Second.

17 CHAIRMAN EDGAR: Okay. We have a motion and a
18 second. Any questions? Further discussion?

19 Seeing none, all in favor aye.

20 (Unanimous affirmative vote.)

21 CHAIRMAN EDGAR: Opposed?

22 Show it adopted. Thank you.

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1 STATE OF FLORIDA)

2 : CERTIFICATE OF REPORTER

3 COUNTY OF LEON)

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


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

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

18 DATED THIS 4th day of September, 2007.

19

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JANE FAUROT, RPR
Official FPSC Hearings Reporter
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