

In re: Petition for rate increase by Peoples Gas System.

DOCKET NO. 080318-001 FEB 13 PM 2:18

DATED: FEBRUARY 13, 2009 COMMISSION CLERK

STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-08-0555-PCO-GU, filed August 21, 2008, the Staff of the Florida Public Service Commission files its Prehearing Statement.

a. All Known Witnesses

Staff intends to offer the Direct Testimony of Jocelyn Y. Stephens

b. All Known Exhibits

Staff intends to offer the following exhibit associated with the Direct Testimony of Jocelyn Y. Stephens:

<u>Exhibit</u>	<u>Title</u>
JYS-1	Staff Audit Report

c. Staff's Statement of Basic Position

Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein.

d. Staff's Position on the Issues

TEST PERIOD

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

POSITION: Yes. PGS's projected test period of the 12 months ending December 31, 2009 is the appropriate test year to be utilized in this docket with appropriate adjustments.

COM 5
ECR

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

GCI
OPC
RCP
SSC

POSITION: Yes. The projected bills and therms for the test year ending December 31, 2009 are appropriate for use in this case.

SGA
ADM
CLK

DOCUMENT NUMBER-DATE

01126 FEB 13 8

FPSC-COMMISSION CLERK

QUALITY OF SERVICE

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

POSITION: No position pending evidence adduced at hearing.

RATE BASE

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

COST OF CAPITAL

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

REVENUES

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

EXPENSES

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

POSITION: Yes. The trend rates used by PGS to calculate projected O&M expenses are appropriate.

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

POSITION: No. The trend rates were not changed so no adjustments are necessary.

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

POSITION: Yes. O&M expenses should be reduced by \$91,900. Account 921 should be reduced by \$79,322, Account 923 should be reduce by \$7,812, Account 930 should be reduced by \$10,000, and Account 930 should be increased by \$5,234.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No. PGS's adjustment to transfer \$723,580 of the bad debt expense to the Purchased Gas Adjustment Clause should be reversed.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

REVENUE REQUIREMENTS

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

RATES

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

POSITION: Yes. PGS's estimated revenues by rate class at present rates for the projected test year are appropriate.

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

POSITION: No position pending evidence adduced at hearing.

ISSUE 49: What are the appropriate customer charges?

POSITION: This is a fall-out issue and will be decided at the May 19, 2009 Agenda Conference.

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

POSITION: This is a fall-out issue and will be decided at the May 19, 2009 Agenda Conference.

ISSUE 51: What are the appropriate Miscellaneous Service Charges?

POSITION: Staff's recommended miscellaneous service charges are as follows:

<u>Service Charge</u>	<u>Staff Recommendation</u>
Connection Charge Residential	\$50.00
Connection Charge Commercial	\$75.00
Each additional meter commercial	\$30
Reconnection Charge Residential	\$70.00
Reconnection Charge Commercial	\$100.00
Change of Account	\$28
Temporary Disconnect Charge	\$20
Failed Trip Charge/Final Termination	\$25

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

POSITION: Yes.

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

POSITION: Yes.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: The revised rates and charges should become effective for meter readings on or after 30 days following the date of the Commission vote approving the rates and charges which, under the current schedule, would mean for meter readings taken on or after June 18, 2009.

OTHER ISSUES

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

POSITION: No position pending evidence adduced at hearing.

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

POSITION: Yes. PGS should be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records which will be required as a result of the Commission's findings in this rate case.

ISSUE 59: Should this docket be closed?

POSITION: No position pending evidence adduced at hearing.

e. Stipulated Issues

Staff is not aware of any stipulated issues at this time.

f. Pending Motions

Staff has no pending motions at this time.

g. Pending Confidentiality Claims or Requests

Staff has no pending requests for confidentiality at this time.

h. Objections to Witness Qualifications as an Expert

Staff has no objections to any witnesses' qualifications at this time.

i. Compliance with Order No.PSC-08-0555-PCO-GU

Staff has complied with all requirements of the Order Establishing Procedure entered in this docket.

STAFF'S PREHEARING STATEMENT
DOCKET NO. 080318-GU
PAGE 12

Respectfully submitted this _____ day of February, 2009.



KATHERINE E. FLEMING
SENIOR ATTORNEY
FLORIDA PUBLIC SERVICE COMMISSION
Gerald L. Gunter Building
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0863
Telephone: (850) 413-6199

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Peoples Gas System.

DOCKET NO. 080318-GU

DATED: FEBRUARY 13, 2009

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Staff's Prehearing Statement was furnished to the following, by electronic and U.S. Mail, on this 13th day of February, 2009.

J.R. Kelly & Charles Rewinkel
Office of Public Counsel
c/o The Florida Legislature
111 W. Madison St., Room 812
Tallahassee, FL 32399-1400

Matthew R. Costa
TECO Energy, Inc. Legal Dept.
P.O. Box 111
Tampa, FL 33601-0111

Paula K. Brown & Kandi M. Floyd
Peoples Gas System
P.O. Box 2562
Tampa, Florida 33601-2562

John W. McWhirter, Jr.
Florida Industrial Gas Users
c/o McWhirter Law Firm
P.O. Box 3350
Tampa, FL 33601-3350

Annette Follmer
US Gypsum Company
Energy Department
P.O. Box 806278
Chicago, IL 60680-4124

Ansley Watson, Jr.
MacFarlane Ferguson & McMullen
P.O. Box 1531
Tampa, Florida 33601-1531


KATHERINE E. FLEMING
SENIOR ATTORNEY
FLORIDA PUBLIC SERVICE COMMISSION
Gerald L. Gunter Building
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850
Telephone No. (850) 413-6199