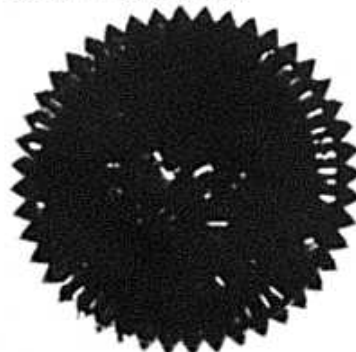


BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

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 In the Matter of : DOCKET NO. 970115-GU  
 :  
 Petition for limited :  
 proceeding to restructure :  
 rates by St. Joe Natural :  
 Gas Company, Inc. :  
 -----



PROCEEDINGS:            **INFORMAL CUSTOMER MEETING**

DATE:                    **Thursday, March 14, 1997**

TIME:                    Commenced at 6:30 p.m.  
                           Concluded at 7:50 p.m.

PLACE:                   Port St. Joe High School  
                           100 Shark Drive  
                           Port St. Joe, Florida

REPORTED BY:            **H. RUTHE POTAMI, CSR, RPR**  
                           Official Commission Reporter

DOCUMENT NUMBER - DATE

02829-MAR 1996

FPSC-RECORDS/REPORTING

1 **IN ATTENDANCE:**

2                   **WAYNE MAKIN, FPSC Division of Electric &**  
3 **Gas.**

4                   **CHERYL BULECEA-BANKS, FPSC, Division of**  
5 **Electric & Gas.**

6                   **COCKRAN KEATING, FPSC, Division of Electric**  
7 **& Gas.**

8                   **JOE DILLMORE, FPSC, Division of Electric &**  
9 **Gas.**

10                   **DAVID GING, FPSC, Division of Electric &**  
11 **Gas.**

12                   **BOB TROTTER, FPSC, Division of Electric &**  
13 **Gas.**

14                   **STUART SCHOAF, St. Joe Natural Gas Company,**  
15 **Inc.**

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**I N D E X**

**MISCELLANEOUS**

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**ITEM**

**PAGE NO.**

**CERTIFICATE OF REPORTER**

**70**



1 it's also indicated in your blue handout, they propose  
2 to restructure the way they receive their revenues.  
3 In other words, they're going to get more revenue from  
4 the residential customers, a little more from  
5 commercial customers, a little less from the large  
6 customers.

7           Now that doesn't make a whole lot of sense,  
8 why they would want to increase your rates as  
9 residential and commercial consumers. Well, the  
10 reason they're doing this is because some customers  
11 are paying too much and some customers are paying too  
12 little. And if you looked at one of the handouts when  
13 you first came in, it's a rate comparison.

14           This rate comparison shows the rates for  
15 residential, commercial and various other rate  
16 classes, and it compares St. Joe Natural Gas Company  
17 to the other natural gas companies in Florida.

18           The purpose of the meeting tonight is to  
19 solicit your comments. We're here from the Commission  
20 to listen to you. When you came in you were asked to  
21 sign a yellow piece of paper if you would like to  
22 speak. Since this is a legal proceeding and you have  
23 requested to speak, our court reporter will swear you  
24 in all at one time and your comments will be recorded  
25 and will be made part of this record. In addition,

1 I'd like to inform you about the Office of Public  
2 Counsel.

3 This office was created by the Legislature  
4 to provide assistance and represent you before the  
5 Commission. If you would like to discuss your  
6 concerns in this case with the Office of Public  
7 Counsel, they have an 800 number, and I believe it's  
8 listed in the special report. It's 1-800-342-0222.

9 To describe a limited proceeding and all the  
10 ramifications of a limited proceeding, Cochran  
11 Keating, Mr. Keating, will explain this to you.

12 **MR. KEATING:** Good evening. My name is  
13 Cochran Keating, and I'm a Staff attorney for the  
14 Public Service Commission. I'm going to explain and  
15 try to break this process down and to make it a little  
16 more easy to understand for you.

17 St. Joe Natural Gas Company initiated this  
18 proceeding by filing a petition with the Public  
19 Service Commission for a limited proceeding for the  
20 purpose of restructuring its rate schedule, as  
21 Mr. Makin discussed with you.

22 The Commission Staff will analyze St. Joe's  
23 proposal and take customer testimony, as we are doing  
24 tonight, then prepare a recommendation for the  
25 Commissioners at the Public Service Commission to

1 consider.

2 As Mr. Makin told you, this is a legal  
3 proceeding, and those of you who wish to speak will  
4 actually be testifying and you will be sworn in.

5 As I told you, the Commission Staff will be  
6 preparing a recommendation for the Commissioners to  
7 consider. The Staff's recommendation is a document  
8 that is designed to address the issues involved in  
9 this request for rate restructuring.

10 If you would like a copy of Staff's  
11 recommendation when it is filed, we can provide you  
12 with one. Please let us know if you would like one  
13 by -- is there a sign-in sheet? No. If you want to  
14 come up here after the meeting and let us know, we can  
15 take care of that.

16 After the Staff recommendation is filed, the  
17 Commissioners will consider the recommendation at an  
18 agenda conference held in Tallahassee. Right now this  
19 recommendation is scheduled to be considered at an  
20 agenda conference on April 14th.

21 At the agenda conference the Commissioners  
22 have the opportunity to ask questions of the  
23 Commission Staff, to ask questions of the gas company  
24 and to ask questions of the customers. The agenda  
25 conference is open to the public and you may feel free



1 to appear and make comments directly to the  
2 Commissioners at that time.

3 At the agenda conference the Commissioners  
4 will vote on the recommendation. They can approve the  
5 recommendation, deny it, or approve the recommendation  
6 with some modifications that they feel necessary.

7 After the Commission votes, they will issue  
8 what's called a proposed agency action order. This,  
9 also, you may receive a copy of, if you'd like, and if  
10 you want to come up after the meeting, let us know.

11 This order is a proposed order. It will not  
12 be a final order. However, unless an interested  
13 party, such as a customer or a group of customers,  
14 files a protest to the proposed order within 21 days,  
15 the order will become final. If an interested person  
16 protests the order, then we have a formal hearing  
17 process. We pretty much start over again.

18 The formal hearing will be held in which the  
19 protesters and the Utility actually litigate the  
20 issues set forth in the proposed order as well as any  
21 other issues that are deemed appropriate. The hearing  
22 process is typically very time-consuming, expensive  
23 and complicated. It is very similar to a full court  
24 trial.

25 At a formal hearing the Utility will attempt

1 to prove its case by using experts, attorneys,  
2 accountants, consultants, and the protesting party  
3 will attempt to do so using the same. The hearing  
4 process could involve taking depositions and filing  
5 motions, if necessary, and presenting testimony to  
6 support's each party's case.

7           At the hearing customers would again have an  
8 opportunity to testify, only this time would testify  
9 in front of the Commissioners directly and would be  
10 subject to cross-examination. After the hearing, the  
11 Commission Staff would again prepare a recommendation  
12 for the Commission's consideration. All the evidence  
13 presented at the hearing would be considered and  
14 weighed by the Commission. Again, the Commission will  
15 vote on Staff's recommendation at an agenda  
16 conference. However, at this conference neither the  
17 Utility nor the customers may participate.

18           The Commission's vote at this agenda  
19 conference will result in a final order. It's a final  
20 vote. If an interested person is dissatisfied with  
21 the Commission's decision, at that point the next  
22 avenue that they could take is to file an appeal; and  
23 I believe that's with the Florida Supreme Court.

24           Mr. Makin has already informed you about the  
25 Office of Public Counsel, so at this point I'll turn

1 the meeting back over to Mr. Makin.

2           **MR. MAKIN:** Thank you. One thing I would  
3 like to pass on to you before we hear from you -- if  
4 you want to write these down. The Staff of the  
5 Commission, their recommendation to the Commission is  
6 due on April the 2nd. That's when we write our  
7 recommendation and give it to the Commission. The  
8 Commission then will hear this recommendation on April  
9 the 14th.

10           And we said this was a proposed agency  
11 action agenda, and that means that you can participate  
12 at this agenda and share your comments with the  
13 Commission. The Commission then will issue its order,  
14 like Mr. Keating said, on May the 5th, and then you  
15 have, or any party has, 20 days in which to protest  
16 that order, and that takes you through May the 27th.  
17 Okay. I wanted to pass those dates on, because we've  
18 said a lot so far, and a lot of it is confusing, I  
19 understand. Okay.

20           Then at this time all of you who wish to  
21 speak to the Staff and put it on the record, if you  
22 would please stand now so that the court reporter may  
23 swear you in.

24           (Witnesses collectively sworn.)

25           **MR. MAKIN:** As I call each one of you, come

1 up to the microphone, if you would, please. Would you  
2 spell your name and give the address, your home  
3 address, to the court reporter? That makes things a  
4 lots easier. And forgive me if I mispronounce your  
5 name. I truly apologize. First witness is Barbara  
6 Lawder.

7 - - - - -

8 **BARBARA LAWDER**

9 appeared as a witness and testified as follows:

10 **DIRECT STATEMENT**

11 **WITNESS LAWDER:** L-A-W-D-E-R. My address,  
12 512 8th Street Port St. Joe. Most of the questions I  
13 had was basically I wanted to direct to the gas  
14 company. I thought they would participate in this  
15 meeting. However, I do have one question for you.

16 What factors do you consider in evaluating  
17 what your, you know, decision will be to the  
18 Commission? I mean, do you take into consideration  
19 whether it's a public corporation, or closely held  
20 corporation? Do you take into consideration whether  
21 the area is a depressed area? What factors do you --.

22 **MR. MAKIN:** There are many factors we  
23 consider. One of the primary factors we consider is  
24 the effect, in other words the effect to you on your  
25 bill, and how critical that is. By that I mean a 5%

1 to you is very critical; a 5% to someone else is not  
2 material. We look at the service being provided by  
3 the Utility.

4 In other words, if you have a problem at  
5 your house, you call the Utility and it takes them two  
6 to three days to show up, that's a problem. If your  
7 service to your house or the meter reading and billing  
8 constantly has mistakes in it, that's a factor.

9 Depressed areas to my knowledge, have not  
10 been a contributing factor. What is a big  
11 contributing factor, I mean, you're the customers of  
12 St. Joe Natural Gas. The customers of St. Joe Natural  
13 Gas are totally against a rate increase. That weighs  
14 heavily on the Commission.

15 WITNESS LAWDER: Well, you know, looking at  
16 these, you know, these rate comparisons, it seems like  
17 there's only two that's really in the low area.  
18 However, this was such a drastic -- this is going to  
19 be such a drastic jump that I am basically -- you know  
20 there's a lot of widow ladies that are by themselves  
21 that are on a fixed income here. This is a depressed  
22 area. The paper company is closed down for, as they  
23 put it, they don't know when they would reopen.

24 This is going to have a dramatic effect  
25 right now, and I wanted to know if you took that into

1 consideration.

2           **MR. MAKIN:** We're right now addressing that  
3 back in Tallahassee among the Staff. Unfortunately,  
4 this meeting just took place at the wrong time.

5           **WITNESS LAWDER:** It was very quick. When we  
6 got notice of it, you really didn't have much time to  
7 prepare. And I do know the gas prices nationwide are  
8 regulated by a lot of things. They're regulated by  
9 the temperature, whether we're going to have a cold  
10 winter or not, all these effects. I'm just wondering  
11 why they applied at this particular time, and I didn't  
12 get a copy of their petition so I don't --.

13           **MR. MAKIN:** I think the Company can make the  
14 petition available to you. In fact, we were --

15           **WITNESS LAWDER:** I had asked them for it  
16 and, in fact, when the prices originally went up.  
17 They said it was a temporary thing and it would go  
18 back down; and then, you know, we got the little  
19 postcard in the mail.

20           **MR. MAKIN:** Okay. I wasn't going to do  
21 this, because I really wanted to hear from everybody  
22 else, but just to help you along and help everybody  
23 else along, the increase that you had in your bill --  
24 two months ago?

25           **WITNESS LAWDER:** Yes, sir, I did.

1           MR. MAKIN: Okay; two months ago. That was  
2 a substantial increase, and that was an increase that  
3 was not -- that was uncontrollable by the gas utility.  
4 Not only did it affect St. Joe Natural Gas, it  
5 affected everybody on this list, and that's the cost  
6 of gas. When they buy gas, I mean, all utilities try  
7 to do the best job they can in buying gas. However,  
8 it's a free market. It's unregulated, the actual gas  
9 cost itself.

10           At one time many years ago it was regulated,  
11 but it's not. Whatever the price is is supply and  
12 demand. When you've got cold weather in the northeast  
13 like we've all seen on the news, gas is very  
14 expensive, very expensive. One saving grace we have  
15 in Florida is that, you know, we don't have that kind  
16 of cold weather. Gas prices are somewhat suppressed  
17 in the south.

18           WITNESS LAWDER: But don't they rate gas  
19 prices based on a nationwide average? Like I was  
20 reading the stats on this, because I do not understand  
21 the per therm and the Btus and all that. So in order  
22 to get up here and speak, I wanted kind of a basic  
23 understanding of what I was dealing with.

24           According to a nationwide overall average,  
25 the weather was 15% colder, even though the eastern



1 part of the nation -- and we had warm winter, they had  
2 a warm winter; but basically overall, and that is the  
3 determining factor in these rates, also.

4           The amount of gas that was used during the  
5 wintertime has taken away from surplus supplies of  
6 gas, but during the summertime won't these gas  
7 surpluses build back up and couldn't the rate be  
8 reduced?

9           My problem is this: I do not want a fixed  
10 rate for two years when they can go down if they get  
11 good gas prices. I'm also concerned with the economy  
12 of this -- Port St. Joe. I think -- I'm under the  
13 understanding it's a family held corporation.  
14 Everybody lives here locally. I think they should  
15 contribute and say, hey, yes, prices are high, but  
16 this town is in a dilemma right now, let's just step  
17 back for a while; or let's reduce the rates and when  
18 we get a better -- better price on the fuel itself.  
19 That's all I wanted to say. I don't want to take up  
20 the time. All right. Thank you.

21           MR. MAKIN: Thank you ma'am. Ms. Anne  
22 White?

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ANNE WHITE

appeared as a witness and testified as follows:

DIRECT STATEMENT

WITNESS WHITE: I've just got one question.

You were saying that --

MR. MAKIN: Ma'am, would you spell your name and give your address?

WITNESS WHITE: A-N-N-E, W-H-I-T-E, 302 DuPont Drive, Port St. Joe. You were saying a few minutes ago that some people were paying more than other people, and this I don't understand, because everybody's rates are going up.

Could this be -- rumor here in town is that -- of course, we've got a lot of the rumors running around right now -- but one of them that a lot of us feel here in town is that the paper mill didn't renew their contract with the gas company, so they've got to go elsewhere for -- to make up the amount, which is going to be impossible in this area. But does the paper mill going down have anything to do with the rates going up?

MR. MAKIN: There's a potential effect now that the paper mill is going to close. I know -- the only thing I can tell you is what I've read in the paper about the paper mill. But we all know,

1 obviously, that the paper mill contributes a lot to  
2 the economy of Port St. Joe and Wewahitchka,  
3 surrounding areas.

4           If the paper mill went out of business --  
5 St. Joe Natural Gas is a company and it is regulated  
6 by the utility Commission. You know we're in the  
7 terrible position of protecting --

8           **WITNESS WHITE:** Not as bad as we are.

9           **MR. MAKIN:** -- of protecting the consumer  
10 and the Utility. We don't want the Utility,  
11 obviously, to go out of business and you don't want  
12 the Utility to go out of business.

13           **WITNESS WHITE:** Right.

14           **MR. MAKIN:** I mean, otherwise you wouldn't  
15 have any gas. Somebody could buy them out, and then  
16 your rates would really go up if you pick any one of  
17 these companies to come here and serve you; and then  
18 your rates will really go up.

19           So what I'm saying is at some point in time,  
20 yes, you are going to have -- your rates will go up  
21 because of the lost revenue from the paper mill.

22           **WITNESS WHITE:** So is this true that the  
23 paper mill wouldn't renew with the gas company here  
24 and, therefore, they've got to go elsewhere and up our  
25 rates?

1           **MR. MAKIN:** At this point in time I don't  
2 know. I don't know if they have renewed the contract  
3 or not.

4           **WITNESS WHITE:** Well, the word is -- if the  
5 mill continues -- which we hope it will be just down a  
6 few weeks -- if it continues to go, does that mean our  
7 rates are still going to stay high? If -- well,  
8 Stuart, can't you answer the question? Did we lose  
9 the contract? Did you lose?

10           **MR. SCHOAF:** We haven't lost anything.

11           **WITNESS WHITE:** So you're still furnishing  
12 gas to the mill.

13           **MR. SCHOAF:** We have our existing contracts  
14 in place, but no change. This meeting tonight, going  
15 back to the other lady's comment, has nothing to do  
16 with the cost of gas. The rates that are being  
17 readjusted are the regulated rates by the Public  
18 Service Commission. That has no connection to the  
19 cost of gas.

20           As far as the paper company's influence on  
21 this meeting, we filed this several months ago,  
22 whatever the date was, and the paper company's  
23 operating condition did not cause this to happen.

24           In fact, the truth is, as Mr. Makin just  
25 said, if the paper company didn't exist and we were to

1 postpone this restructuring and we plug in our  
2 operating financial information into the formulas that  
3 have to be used to used to produce rates, instead of  
4 the residential being 24 cents, it would probably be  
5 64 or 84 cents. It would be much, much higher.

6           So with -- under the circumstances,  
7 regardless of what the paper company is doing, the  
8 test year that we used was a year when the paper  
9 company was going; so that if we were now to postpone  
10 and come back later, and come out to these cost of  
11 service rates, they would be much higher than what  
12 we're proposing here.

13           So it's sort of a case of it's either now or  
14 later, and later would be much worse than now.

15           WITNESS WHITE: That brings up this  
16 question, then --

17           MS. BULECZA-BANKS: Could I interject for  
18 just a minute. Mr. Schoaf, it's very hard for the  
19 court reporter to hear your comments. If you wouldn't  
20 mind stepping up to this mike. I know, you know,  
21 basically tonight was supposed to be just the  
22 Commission. but obviously there's some questions we're  
23 unable to answer, and if you could come up here,  
24 because she is having some difficulty; and when you're  
25 done you can go back to your seat.

1           **WITNESS WHITE:** Okay Stuart. I understand  
2 that a utility cannot make over a certain percentage  
3 on their rates. Am I correct?

4           **MR. SCHOAF:** That's correct.

5           **WITNESS WHITE:** So if you up our bills 75 --  
6 or the Commission ups them 75%, 90%, aren't you going  
7 to be making more interest than you're supposed to?

8           **MR. SCHOAF:** No.

9           **WITNESS WHITE:** If the mill -- now this is  
10 the question -- if the mill continues.

11           **MR. SCHOAF:** No; because we're reducing the  
12 rate to the mill. It's a revenue neutral proceeding  
13 where we have identified the revenue for the test  
14 year. We're -- the outcome of this, there's no change  
15 in revenue to the Utility.

16           The dollars we collect from the mill will be  
17 less, the dollars we collect from all other customers  
18 will be greater, but the total will remain the same.  
19 And the fact that the mill drops off in its operations  
20 will certainly reduce the revenue in the Utility, but  
21 the purpose of this thing is to shift some of the  
22 operating costs on the class of customers that are  
23 responsible for the cost.

24           The residential and commercial customers  
25 have for 30 years had the -- some of the lowest

1 rates -- the lowest in Florida and probably in the  
2 U.S., and the company has never sought a rate  
3 increase, never had a rate increase. And the time has  
4 come because of the force of the deregulation of  
5 natural gas where industries now have much more  
6 options, and they can take us or leave us. And we've  
7 been brought to a point in operating where customer  
8 classes are -- must pay their cost of service, and in  
9 Port St. Joe those of you who have been customers know  
10 that we generally go in and spend seven, \$800 putting  
11 a gas customer on and charge you \$10.00.

12           Well, that money has to come back from you  
13 as a customer, and with our rates being so low, we  
14 have 50, 60, 80 year paybacks on providing service to  
15 residential. The other choice for us would be --  
16 would not be beneficial for our customers or the  
17 Company.

18           So we've looked at it and certainly now that  
19 the mill has come out and temporarily stopped their  
20 operations, what I was trying to say is that this rate  
21 restructuring, if we were to postpone it -- which we  
22 did consider that -- but we clearly can see that by  
23 postponing it, these proposed rates that have come out  
24 of 24 cents for residential could very easily be twice  
25 that amount.





1 the rates 11.92%. On this little white one I got here  
2 in the mail, they want to increase the residential  
3 current rates from 3 to \$6.00. That's 100% increase,  
4 as far as I'm concerned.

5 They want to raise the residential rates on  
6 gas 1.97 to 24.146. That's a 1,200% increase. Now,  
7 there's hundreds of retirees living here on cost of  
8 living allowance, which is 2.3%, and the government  
9 says that's 8% too high. We're going to end up with  
10 about 1.5. That's what the gas company ought to get.  
11 If we can live with it, they can it too. Thank you.

12 MR. MAKIN: Thank you, sir. Mr. Tim Stein?

13 - - - - -

14 TIM STEIN

15 appeared as a witness and testified as follows:

16 DIRECT STATEMENT

17 WITNESS STEIN: Tim Stein, S-T-E-I-N. The  
18 address is HC 77, Box 333A Wewahitchka. A little bit  
19 about my background. This past election my wife ran  
20 for U.S. Congress for District 2 and I was her  
21 campaign manager, so I pretty well have my thumb on  
22 the pulse of the economy in this area as well as  
23 throughout the rest of her district.

24 Looking at this white sheet, I see many  
25 rates from southern Florida. Well, the income in



1 these communities in southern Florida is vastly  
2 different than what it is here in St. Joe and our  
3 surrounding communities.

4 In the past year we've taken a couple major  
5 shots. We've lost our shrimping and our mullet  
6 industry. The mill is giving problems now, and like  
7 the other gentleman said, we have a vast number of  
8 people on a fixed income. The increases on their  
9 fixed income is very, very small.

10 And getting to the topic here, we realize  
11 that the gas company should make a profit. If you  
12 can't make a profit, you can't be in business. When  
13 you increase the customer charge 100%, that's vastly  
14 unfair. When you increase the other charges over  
15 1,200%, that's ludicrous. That should not happen.  
16 And you need to look at what's going on in this area.  
17 We are depressed. We need a gas company, we need the  
18 gas company to make money, but we definitely feel that  
19 these increases are way too high.

20 The rest of this sheet is based on southern  
21 Florida, Gainesville, Jacksonville, places where  
22 there's a lot of industry. This area that's served by  
23 this gas company does not have that, and we are  
24 desperate; and we wish you would take that into  
25 consideration when you make your decision. Thank you.



1 mine. All it's adjusting is the paper mill, and  
2 Arizona Chemical and Basic. That's basically it.  
3 You're raising the rates on us so you can lower it on  
4 them. That's not an adjustment for the people here in  
5 this room, that's an increase; drastic, just like the  
6 man said.

7 Deregulation of gas? If it's deregulated,  
8 how come we don't have any other gas companies here?  
9 I'd like to know them questions, and I'd like to hear  
10 the answers to them.

11 MS. BULECZA-BANKS: When we had mentioned  
12 about the market and there's a market for gas, what's  
13 important to remember is when you're talking about a  
14 gas utility, you're talking about molecules of gas  
15 that they buy from suppliers, be it Houston, out in  
16 the gulf, Canada, wherever they buy the gas supply,  
17 and the little molecules of gas is what is a free  
18 market.

19 When we talk about getting the gas to you  
20 through the pipes, that is what St. Joe and each of  
21 the gas utilities do. They take those molecules and  
22 they transport them to you. That is regulated, and  
23 that -- there aren't any other gas utilities in your  
24 area, and the reason why that is, is that historically  
25 gas utilities like electric utilities were monopolies;

1 and the reason why is because the pipes, your wires  
2 for your electricity, were so expensive and so much of  
3 an investment that it would have cost you a lot more  
4 money if they had two sets of pipes tearing up your  
5 street so you would have two companies; or if you had  
6 two water and sewer departments, it wouldn't be  
7 environmentally -- it wouldn't be good, because you  
8 would be tearing up the roads and putting up more  
9 pipes or making more sewers.

10 I'm just trying to clarify for you. That is  
11 still regulated and that's why we are here, because  
12 that's what we're talking about. But the molecules of  
13 gas is not regulated -- it used to be -- by the  
14 federal government, but now it is not; and there are  
15 market prices that are traded on the stock market each  
16 and every day, and those are what we're saying was  
17 market. But you're right; this utility is not  
18 deregulated, not as far as getting the gas to you.

19 WITNESS ROBINSON: Okay. Question two: The  
20 large companies you're adjusting it just for the mill,  
21 basically, and Arizona Chemical. You're not evening  
22 out the rates, because I'm a large gas company user.  
23 I have a restaurant. It has gas. Now, I'd like to --  
24 you know, my rates are not going to decrease. I mean,  
25 how much longer? There's other restaurant owners in

1 this town. They're large users too, but their rates  
2 are not going to decrease, they're going to increase.  
3 So where is the adjustment at?

4           MR. MAKIN: The adjustment in this case --  
5 it's true your rates, as proposed by the Company, they  
6 are not going down. The only rates that are going  
7 down are for the paper mill and for Arizona Chemical.  
8 And the reason why -- and Mr. Schoaf spoke to it  
9 earlier -- the Commission conducts a study, and it's  
10 called cost of service.

11           Cost of service means, what does it cost the  
12 Company to provide you as a residential customer  
13 service; what does it cost. I'm talking as a group,  
14 as a homogeneous group of all residential customers  
15 what does it cost; what does it cost for the group of  
16 commercial customers, and what does it cost for your  
17 large industrial customer. That's piping, meters,  
18 operating and maintenance expenses on those lines,  
19 salaries, a return, taxes, all kinds of taxes,  
20 depreciation on all that plant. And when you start  
21 adding that up and you say, it costs me so much money  
22 to serve residential -- as an example, if it costs  
23 \$10,000 -- it's more than that, but I'm just giving  
24 you an example -- if it costs \$10,000 to serve  
25 residential customers and I get \$2,000, there's

1 something wrong with that picture. It says that the  
2 residential customers are not paying enough.

3 Same thing with the commercial and the large  
4 industries. If it costs \$10,000 to serve Arizona  
5 Chemical and Stone Container as a group of industrial  
6 customers, and I'm getting \$20,000 in revenue from the  
7 rates, they're paying too much.

8 WITNESS ROBINSON: I understand, but --

9 MR. MAKIN: Now, what I have to do is I have  
10 to get things in balance. It's not only St. Joe  
11 Natural Gas. It's any one of the companies on that  
12 list that you have. Residentials are not paying  
13 enough. I mean, it's always been that  
14 cross-subsidization; always.

15 WITNESS ROBINSON: That list was made up,  
16 like that man said, from people from south Florida. I  
17 can go to New York and get you a higher price list if  
18 you want me to, but the truth is still the truth. The  
19 big money, that's who is going to benefit. The little  
20 man, we're going to pay. Why don't you just tell the  
21 truth?

22 MR. MAKIN: Well, that's not the truth. One  
23 of the problems with St. Joe Natural Gas in this  
24 area -- and I'm familiar with St. Joe, Wewahitchka,  
25 Blountstown, Bristol, there is -- really, there's no

1 industry here. There is no industry. I mean, this  
2 county in the fact that you have Stone Container, old  
3 St. Joe Paper Company, but if it wasn't for the paper  
4 company, I don't think there would be anything here.

5 I mean, there's nothing -- we know this.  
6 You know, I've lived here almost 50 years. I'm  
7 familiar with it. I've seen the paper company go down  
8 and come back and go down, and it was depressed back  
9 in the '70s when they shut down for a while. I know  
10 that. I've had friends of mine that worked for the  
11 paper company. But the fact remains that they're  
12 paying much greater in total revenues to St. Joe  
13 Natural Gas Company than what it costs St. Joe Natural  
14 Gas Company to serve Stone Container.

15 Now, if we had -- if St. Joe had -- and we  
16 know this -- if you had 10 or 15 Holiday Inns or  
17 Marriotts and you had Pizza Huts, if you had Outback  
18 Steak Houses, if you had other competition for your  
19 restaurants, if you had subdivisions of tens and  
20 thousands of residential customers, yeah, rates would  
21 be much different.

22 They would be probably higher than what  
23 you're currently paying, but probably lower than maybe  
24 the proposed, because you have all the expenses that  
25 the company incurs -- just like your business --



1 spread over a greater number of customers, a greater  
2 volume of usage.

3 I mean, whether you leave today as a  
4 commercial customer or as a residential customer, the  
5 gas company still incurs expenses. They still have to  
6 pay their employees, they still have to pay insurance,  
7 they still have to pay taxes. That doesn't go away.  
8 What's going down is his revenue and his ability to  
9 earn a return, a fair rate of return.

10 And I'll tell you what, and I will give  
11 St. Joe Natural Gas Company an A+ on their expenses.  
12 They don't spend hardly any money. They're very, very  
13 conservative as opposed to the utilities down south  
14 that are big; and sure, they're big, but they have  
15 billing expenses. They have a lot of customers, and  
16 they take -- it's all relative. I mean, it's all  
17 relative. They've got a lot of expenses. They've got  
18 a local of customers.

19 WITNESS ROBINSON: What you say is true.  
20 Now, do I get to raise my rates? If I do, my  
21 customers leave, because they can go to seven other  
22 places here in town, but we don't have seven other  
23 places for a gas company. Are you going to let other  
24 gas companies come in and bid on another franchise?

25 MR. MAKIN: At the expiration of their



1 franchise with the City of St. Joe --

2           **WITNESS ROBINSON:** Their franchise was at  
3 this certain price. Now, you're going to let them go  
4 up. Why don't you go ahead and let another company  
5 come in and bid. What's the difference, I mean, if  
6 you're going to let them go up on their price? They  
7 bid this franchise at a certain price. That's what  
8 their price was when they bid in this franchise.

9           **MR. MAKIN:** No; it's a percentage of their  
10 revenues that they give to the City --

11           **WITNESS ROBINSON:** Right; and they bid that  
12 franchise at that revenue, didn't they?

13           **MR. MAKIN:** But it has nothing to do with  
14 these rates.

15           **WITNESS ROBINSON:** Well, if they're going  
16 to --

17           **MR. MAKIN:** It's a percentage of their  
18 revenues. If their revenues this year equal a million  
19 dollars, they pay 6%, if next year it's 500,000, they  
20 pay; if the next year it's \$10,000 total revenue, they  
21 pay 6%.

22           **WITNESS ROBINSON:** Well, I can see there  
23 ain't much I can do here with you giving them A+s,  
24 probably already figured out what's going to happen.

25           **MR. MAKIN:** No, No.

1 MS. BULECZA-BANKS: There is one thing that  
2 I'd like to comment that might help some of you out.  
3 Obviously, the names are very small at the bottom of  
4 the rate comparison sheet, but probably the ones that  
5 would probably be easier for you to do a comparison of  
6 is the end column, which is WFG. That is West Florida  
7 Gas and that is located in Panama City. A very small  
8 portion of their service is also in Ocala, but the  
9 biggest portion of their service comes from Panama  
10 City, and that would be the closest comparison on this  
11 sheet.

12 People's Gas, which is a huge company, has  
13 10 different divisions, and only part of that would be  
14 in Jacksonville, and that would be the closest one  
15 there. Other than that, the utilities that you see,  
16 Chesapeake is in Plant City and Winter Haven, the next  
17 one in Miami was CGC, Florida Public in West Palm, IGC  
18 in Indiantown, and the other ones, also southern,  
19 Sebring and south Florida, also in the south, but the  
20 closest one for you would be West Florida in Panama  
21 City.

22 Yes, ma'am.

23 WITNES. LAWDER: Barbara Lawder again. I  
24 just want to ask one question. Are these all the  
25 natural gas companies in the state of Florida?

1           **MS. BULECEA-BANKS:** Those are all the  
2 regulated natural gas companies. We also have  
3 municipals and some special gas districts, but those  
4 are the ones that the Public Service Commission  
5 regulates. We do not regulate municipals.

6           **WITNESS LAWDER:** The ones that are the  
7 municipals that aren't regulated, you have no  
8 information on that from them or --

9           **MS. BULECEA-BANKS:** No, we are not -- we do  
10 not have any access to their rates or any of their  
11 charges.

12           **WITNESS LAWDER:** Where are they usually  
13 located?

14           **MS. BULECEA-BANKS:** They're all individual  
15 governmental entities. The only place that you might  
16 be able to get some information is the Florida Natural  
17 Gas Association, because they're comprised of both  
18 municipals and -- but I don't know if they actually  
19 have rate comparisons available from that organization  
20 or not.

21           **WITNESS LAWDER:** Thank you.

22           **MR. MAKIN:** Cecil Pettis?

23

24

25



1 that goes to the gas company, the money they collect  
2 from the PGA. They don't earn a return on it. They  
3 don't make any money on it. Whatever it costs them,  
4 costs you; they pass it through. We don't allow any  
5 profit.

6 But currently for 30 therms it would cost  
7 you \$3.59 today. Because this restructuring is going  
8 to be phased in as proposed by the company, in other  
9 words, whatever -- let's just make the assumption for  
10 the moment that their petition is approved as they  
11 filed it. Then the rate -- the first increment would  
12 be in six months, the second increment would be 12  
13 months later, and the third increment would be another  
14 12 months.

15 So you will go from the current 1.97 cents  
16 to the proposed 24 cents a therm. But currently  
17 you're paying \$3.59. The very first increment will  
18 take you to \$6.42. That's \$2.83 increase.

19 WITNESS PETTIS: Okay. I can understand. I  
20 can understand what you're telling me, but what I  
21 can't understand is what -- how do you derive what a  
22 therm is for each customer, the residential, the  
23 commercial? And the reason that I'm asking is because  
24 everybody got these little cards, and the residential  
25 customers were not all the same. The increase was

1 astronomical per therm, but the price per therm  
2 initially was not the same, and if you're all going to  
3 be residential, where is the formula?

4 MS. BULECZA-BANKS: I'm not aware that there  
5 was -- that people received different amounts. For  
6 residential class everybody should be paying the same  
7 per therm charge. When you multiply it by different  
8 consumption levels, your average bill may be  
9 different, because if you just have a water heater,  
10 your neighbor has a water heater and a range, maybe  
11 that's -- I don't know if that's what you're talking  
12 about or not. You're saying other than the per therm  
13 charge, some people received cards with different per  
14 therm charges on --

15 WITNESS PETTIS: The per therm charge  
16 initially was different on several of our cards out at  
17 work. Some of them were charged like .84 per therm  
18 and then went to this increase. Some of them were  
19 charged .9 something. Some of them -- I was charged  
20 1.24 and go to almost 25 cents. So what is this  
21 formula? Where is it derived from?

22 MS. BULECZA-BANKS: I'm interested in  
23 finding out the difference. Are you talking about the  
24 actual bills you're receiving now?

25 WITNESS PETTIS: No. The little card that

1 we got saying that said that we were going to have a  
2 rate increase.

3 MR. MAKIN: Can we take a look at that? Do  
4 you have one that we could take a look at?

5 WITNESS PETTIS: I didn't bring mine. These  
6 have 1.97 for current rate. Some of us -- and my home  
7 is not 1.97, you know. So I would like to know why we  
8 are starting out with a different base here.

9 MR. MAKIN: Does someone have a different  
10 one than this?

11 (Miscellaneous audience comments.)

12 (Card handed to Mr. Makin.)

13 MR. MAKIN: Now that I have a program I can  
14 see who the players are. All right. I have -- I see  
15 exactly what you're saying. Everyone has on their  
16 bill a customer charge for residential that says  
17 \$3.00; right? I'm looking at this date here. Let me  
18 take a look. February bill I'm looking at. Very next  
19 line says Fuel Charge, .558. It's 55.8 cents.

20 Now, that fuel charge -- remember, I said  
21 fuel charge is gas, it's the molecules, it's the gas  
22 that the company buys. No money, no profit --  
23 passed --

24 (Miscellaneous audience comments.)

25 MR. MAKIN: The next line says Nonfuel

1 Charge, and on this bill it's .02464. Well, that's  
2 not 1.97. Of course it's not. What's included in  
3 that 1.97 -- all right. Let me back up just a moment.

4           The nonfuel charge, that's what the  
5 Commission approves the Company to charge to make  
6 their money. Part of that .02464 is the 1.97 and  
7 conservation cost recovery. What that means is the  
8 Company spends money on conservation efforts for their  
9 customers.

10           If you put in a water heater, if you put in  
11 a range, if you put in a heating system, gas, of  
12 course, and you had electric before or you upgrade it  
13 to a more efficient gas appliance, they give you some  
14 money for that; and that's an expense, and that's an  
15 expense that they recover from all their customers as  
16 they do any other expense.

17           So if you take -- what I'm telling you, if  
18 you take that nonfuel charge, the .02464 minus the  
19 .0197, the difference between the two of those is  
20 conservation; but, yes, you are all billed and being  
21 billed the 1.97. Are we confusing you?

22           **WITNESS PETTIS:** You pretty much got me  
23 lost.

24           **MS. BULECZA-BANKS:** Okay. The reason why  
25 you see different amounts, and that amount does



1 change, it generally changes once a year, conservation  
2 rates are set once a year. The hearing is in February  
3 at the Commission, and the rates begin in April and  
4 they run for an entire year.

5           So what you have is everybody pays that 1.97  
6 cents per therm. That's straight across the board for  
7 residential use. Then there's an increment for  
8 conservation, that a factor is set by the Commission,  
9 and that is added to the 1.97. So for a 12-month  
10 period that number should be the same until a new  
11 conservation factor is calculated the next year. So  
12 you have two elements that make up the nonfuel energy  
13 charge.

14           **MR. MAKIN:** If we don't accomplish another  
15 thing tonight, this is something we truly want to help  
16 understand, because if you're confused at this point,  
17 going forward is going to be a real accident, trust  
18 me.

19           **WITNESS PETTIS:** Okay. I understand that  
20 part, but what I'm saying is the discussion among, you  
21 know, just say the men that I work with and all, and,  
22 well, what was -- what did your card have on it, you  
23 know, and what percentage were you going to go up, you  
24 know, according to this proposal; and each one -- not  
25 each one, but a lot of them were a little different;

1 and nobody could really understand that, and it was  
2 still a great increase, but nobody could really  
3 understand why they were different.

4 MS. BULECZA-BANKS: The fuel charge would be  
5 one that may change because they had the new course  
6 correction and they can change that, but it should be  
7 the same for everybody for the same billing month, but  
8 it can change from month to month --

9 WITNESS PETTIS: Amount per therm, what was  
10 the formula? How did you derive the formula per  
11 therm, and that was coming out on this --

12 MS. BULECZA-BANKS: Okay.

13 WITNESS PETTIS: -- card that we got in the  
14 mail?

15 MS. BULECZA-BANKS: Okay. We're going to do  
16 this real slow here. The nonfuel energy charge that I  
17 talked to you about, which I have a February 18th  
18 meter read date on this card, is .02464, which  
19 Mr. Makin was just talking about, which was made up of  
20 the regular per therm nonfuel energy charge of 1.97  
21 plus conservation.

22 The other factor is the fuel charge, and  
23 I'll let Mr. Makin explain that one, because there's  
24 two elements on this bill. The fuel charge is the one  
25 that you'll probably see more volatility in and the

1 other one should be stable for a 12-month period.

2 MR. MAKIN: Can I get an answer or nods or  
3 something that tells me that the first charge on here,  
4 the customer charge, and the nonfuel charge is the  
5 same for everybody every month, if you remember?

6 (Heads nodding.)

7 MR. MAKIN: Okay. The fuel charge here  
8 again is the gas. That changes every month, and the  
9 reason it changes every month is that Stuart when he  
10 buys gas, he buys so much gas; so many therms, if you  
11 will. That's how it's measured. And it costs so much  
12 money. And I simply take the total dollars by the  
13 total therms and I then I have a rate. And this  
14 particular month in February was very darn expensive.  
15 55 cents was very expensive, and it was expensive  
16 throughout the state, like we've talked about earlier.  
17 Next month you should see a decrease in that portion  
18 of your bill, the fuel charge.

19 The customer charge, the nonfuel charge will  
20 remain the same until April. Well, next month, yeah.  
21 The fuel charge will change and the nonfuel will  
22 change, should the Commission approve the Company's  
23 petition.

24 WITNESS PETTIS: So what you're telling me  
25 is that every time that they get a fuel charge, then

1 that goes into the formula for determining the  
2 therms --

3 MS. BULECZA-BANKS: What they do is they  
4 take whatever it costs Stuart to buy the gas, and we  
5 divide out what we think all of you are going to use  
6 for the month. If we think you're going to use  
7 collectively 10,000 therms or whatever the number may  
8 be, we divide that out by the cost. It's not just the  
9 cost for residential, it's commercial, it's everybody  
10 who are actually taking molecules of gas from Stuart  
11 and not transporting. We're not going to get into  
12 that. It's a whole other ball game.

13 But anybody who is actually taking gas  
14 molecules and buying it from St. Joe Natural Gas, we  
15 estimate -- well, Stuart estimates. We verify if we  
16 think that's a correct estimation, and he comes up  
17 with a number; and that's all there is. Like we said,  
18 there is no profit in the gas molecules. Whatever he  
19 pays is what you all pay. He makes no profit on that.

20 WITNESS PETTIS: Okay.

21 MS. BULECZA-BANKS: And that's the same for  
22 any natural gas utility regulated by us. They make no  
23 profit on the molecules of gas.

24 MR. MAKIN: Does that help?

25 WITNESS PETTIS: It helped some.

1 MR. MAKIN: Thank you, sir. Norman Bixler?

2 MR. BIXLER: No questions at this time.

3 MR. MAKIN: Thank you, sir. Bo Williams.

4 - - - - -

5 BO WILLIAMS

6 appeared as a witness and testified as follows:

7 DIRECT STATEMENT

8 WITNESS WILLIAMS: Bo Williams. B-O,  
9 W-I-L-L-I-A-M-S, P.O. Box 577, Port St. Joe,  
10 32457-0577. I speak in opposition of the raise in the  
11 rates. If we go back and digress, a group of  
12 visionaries came with this utility to this county back  
13 when, and they're to be commended, those that still  
14 remain above ground and those that's in the ground.  
15 They gave us a utility that was very much needed.

16 What they gave us was competition with the  
17 electric company, and from that we're very grateful.  
18 I for one am a proponent of gas, and I've gone out  
19 throughout this county and spoke to old folks, young  
20 folks, in between folks, and encouraged them to come  
21 on gas. I've done that because the gas company has  
22 taken the initiative to go to the north end of the  
23 county.

24 Those of you that don't know anything about  
25 St. Joe or Gulf County, we're the only county in the

1 state with two time zones. We're the only state in  
2 the county (sic) with two courthouses. We're the only  
3 state in the county (sic) with a bunch of two things.

4           And the two things that we don't have is the  
5 quality to the gas recipient. I went out and as a  
6 proponent of gas encouraged people to come on line.  
7 They went to the prison. Make no bones about it.  
8 They were looking for -- and I'm not getting into  
9 personalities, I'm speaking of the Utility. The  
10 Utility was looking for another customer long before  
11 Stone came on board.

12           That paper company out there, the  
13 visionaries that are below ground, above ground, why  
14 did it take 35 years to decide that it was not a good  
15 idea to put all the eggs in one basket? It's because  
16 there was a link, and it's been a link. Alfred  
17 Du Pont loved this county and loved this city and did  
18 what it could to subsidize the citizens; but the  
19 Company did a disfavor to the citizens by putting all  
20 the eggs in one basket using that entity, that paper  
21 company, as its sole source of income.

22           Now, the stock -- the visionaries and  
23 employees, the stock that they enjoy is not open on  
24 the market for me to buy; but they're not losing any  
25 money. There's nobody quit that gas company since

1 I've been back from my military service and that's  
2 been seven years.

3 I would submit to you, though, that there  
4 hasn't anybody quit. Unfortunately, the good lord has  
5 taken a few, and may take more. But the point is it's  
6 a very solvent company. But the citizens of this  
7 county are somewhat misled when they see ground being  
8 broke laying new pipe to entice new customers at,  
9 truly, \$10.00.

10 You couldn't -- I mean, you can't buy bread  
11 at a value of what that gas line was to come to a  
12 person's house. I've got lots in both ends of the  
13 county. They came to my trailer up there at the river  
14 and broke ground with a contractor, laid the pipe,  
15 connected it and crawled under the trailer, changed it  
16 out, did it all for 10 bucks, and thank you. Can't be  
17 done.

18 You couldn't buy that with nothing. But  
19 guess what? Here comes 100% increase that I got here  
20 as a citizen as a proponent of gas, and I've got to go  
21 back and say, gee, if I had known that, knowing that  
22 you're on a fixed income, as some people have said, I  
23 may not have done that.

24 Any way we look at it, gas is cheaper than  
25 electric, given today's market. However, I don't

1 think, gentlemen and ladies, that we're in the  
2 business here in Gulf County of seeing 100% increase  
3 merely because the visionaries put all their eggs in  
4 one basket. Thank you.

5 MR. MAKIN: Thank you, sir.

6 (Applause.)

7 MR. MAKIN: Susan Stein?

8 MRS. STEIN: I'd like to defer to my  
9 husband. He has something else to say.

10 WITNESS STEIN: Tim Stein again. I see here  
11 that you're proposing revenue neutral. You said  
12 earlier that you projected the amount of gas that the  
13 interruptibles would use to base on these new  
14 structures.

15 Does it mean that if Arizona Chemical goes  
16 away and the paper company goes away, that the gas  
17 company gets the same revenue by selling less gas but  
18 charging us more? From listening to you guys tonight,  
19 that's what I understand. He's going to sell less gas  
20 because these two outfits may be going out, but yet  
21 he's going to make the same profit. Am I right or  
22 wrong?

23 MS. BULECZA-BANKS: There are several parts  
24 to this. I want to clarify one thing. When we  
25 project -- when you talk about projecting the therm



1 sales, that's when we're talking about the gas  
2 molecules. It's not about the rates.

3 WITNESS STEIN: I understand that.

4 MS. BULECZA-BANKS: That's a little  
5 different.

6 WITNESS STEIN: I understand that, but if  
7 the two companies buy less and you have revenue  
8 neutral, then somebody has got to pay more for these  
9 people buying less; and that's what I'm asking. Is  
10 that what we're doing?

11 MS. BULECZA-BANKS: Not exactly. It's like  
12 Hertz, not exactly. What this boils -- I'm going to  
13 make a very bold statement here, and I don't mean to  
14 be disrespectful or anything; but if Stone Container  
15 and Arizona Chemical go off line, I'd be real  
16 surprised if you have a gas company, because there  
17 just isn't enough consumption to support it.

18 West Florida probably will not buy the  
19 company. It wouldn't have any customers. If you've  
20 got 3,200 residential customers, you're going to take  
21 a loss. The Company is going to be at a loss. It  
22 would have to charge you 50 bucks a month customer  
23 charge you something 50 bucks a month customer charge,  
24 something ridiculous no one would ever pay.

25 I mean, that's -- I know it's hard, but --

1 especially for us sometimes. I know it's hard for us  
2 to make sense of this. We've been doing this, though,  
3 for so many years, it's hard to explain when we're so  
4 close to it. But when you have large customers like  
5 that that bring in a lot of revenue and you take that  
6 bunch of revenue away, because let me -- they're going  
7 to contribute more revenue in a month than you  
8 residential customers would probably contribute in a  
9 year, and if you take that off the system and he's  
10 left with a very little amount of revenue, he wouldn't  
11 even be able to make payroll.

12           **WITNESS STEIN:** Well, they certainly must,  
13 because I see increases 1,200%, even greater than that  
14 for the commercial and on down, and then I see a very  
15 tiny percent for the interruptible, who is supposed to  
16 be the big guys; and the math doesn't add up.

17           **MS. BULECZA-BANKS:** Because it's all based  
18 on consumption.

19           **WITNESS STEIN:** I'd like to see consumption  
20 figures.

21           **MS. BULECZA-BANKS:** And what we're looking  
22 at -- and Mr. Makin can go over that with you -- but  
23 if you're looking at 32,000 customers at an average  
24 consumption of 30 therms a month and you take some of  
25 the -- let's get some of the figures for you for

1 Arizona.

2           **MR. MAKIN:** To go back to one of your  
3 earlier questions, Stuart -- St. Joe Natural Gas  
4 Company will lose with Arizona -- I mean, with the  
5 paper company closing -- will lose \$50,000 a month, 50  
6 to \$60,000 a month, and that's not going to hurt right  
7 now, but who is to say how long? What if they close  
8 indefinitely? Yeah, that's lost revenues, but you  
9 also have expenses that you don't incur anymore in  
10 serving that company, so we're going to back all those  
11 expenses out.

12           I could almost guarantee that if the Company  
13 were to lose the paper company and Arizona Company  
14 where it caused rate shock hardship to you as a  
15 residential consumer, to you as a commercial consumer,  
16 the Commission would never allow something like that.  
17 We just would never allow it.

18           **WITNESS STEIN:** I would certainly hope not.

19           **MR. MAKIN:** I certainly would hope so, also.  
20 Just a couple numbers to give to you. Okay. For  
21 1995 -- and I'll share this with you afterwards, I'll  
22 share it with you now. We've got a few more speakers.  
23 We want to give them an opportunity -- but for 1995  
24 the most actual, current audited numbers the  
25 Commission has, total revenues from the rates -- and

1 I'm talking to, you know, Line 1 and Line 3, okay --  
2 total revenues for 1995, 1,842,666. That was their  
3 total revenues.

4 Of that, \$463,063 -- \$463,000 came from  
5 residential; \$52,046 came from commercial, \$51,368  
6 came from large commercial. Now, remember when I use  
7 these terms, they're groups of customers. The  
8 interruptible or industrial, i.e., Stone Container,  
9 Arizona Chemical, 1,276,189. 1,276,189; a lot of  
10 money.

11 WITNESS STEIN: I can get the figures I need  
12 from that.

13 MR. MAKIN: Now, to correspond to that, the  
14 total number of therms for 1995 that was sold by  
15 St. Joe, 31,605,108, almost 32 million therms, and  
16 rather than reading all the numbers to you --

17 WITNESS STEIN: Right. All I need is the  
18 interruptible therms, and that will be sufficient.

19 MR. MAKIN: The Stone Container, Arizona  
20 Chemical, of the 31.6 million, 30.2 million was sold  
21 to Stone Container and Arizona Chemical.

22 WITNESS STEIN: That gives me all the  
23 figures I need. Thank you.

24 MR. MAKIN: Okay. Skip Bulkley?

25 (No response.)

1 MR. MAKIN: All right. J.C. Stoutamire?

2 - - - - -

3 J. C. STOUTAMIRE

4 appeared as a witness and testified as follows:

5 DIRECT STATEMENT

6 WITNESS STOUTAMIRE: J.C. Stoutamire,  
7 S-T-O-U-T-A-M-I-R-E. I reside at 1007 Marvin Avenue.  
8 I'm quite confused, even more so now than I was before  
9 I came to the meeting.

10 Price increases are detrimental to people on  
11 a fixed income or low poverty areas. We may not be a  
12 low poverty area now, but we will be before too much  
13 longer from what I -- but if these rate increases will  
14 not change the revenue that these people are dealing  
15 with, why are we here? Something is going to change.  
16 Their money is going to -- if I read this correctly,  
17 they are allowed to make 11.92% on their investment;  
18 is that correct?

19 MR. MAKIN: That's correct.

20 WITNESS STOUTAMIRE: I wish I could make  
21 that on mine.

22 MR. MAKIN: I wish I could, too.

23 WITNESS STOUTAMIRE: But Stone Container may  
24 be a big user of natural gas now, but it's not been  
25 but just a very few years that gas was put to that

1 paper mill. How did they -- how did we survive before  
2 it came on board?

3 MR. MAKIN: That's a good question.

4 WITNESS STOUTAMIRE: I seen Mr. Knox when he  
5 was putting the lines out there. I don't know just  
6 what year it was, but they've been here since 1962.  
7 The paper mill has been here since 1938, but they've  
8 not been on natural gas but just a short while.

9 I'm a resident of this county and have been  
10 for several years, and when I first built my home here  
11 I was totally electric. I went through the gas  
12 company and had to replace some of my units, and  
13 everything looked feasible to change to gas, and I did  
14 so. But now it's beginning to look the other way,  
15 that we may have to go back to electricity.

16 They are the sole provider of natural gas  
17 here. I don't know if you can even get West Florida  
18 to service and them come out. So that's the monopoly.  
19 But one thing is for certain; if you turn on your  
20 heater, you're going to pay.

21 You people are our bargaining agents. We  
22 have no recourse but to go to the Public Service  
23 Commission and ask for their help, that they look at  
24 the overall community. And the -- if they have  
25 survived on the rates in the past, why can't they

1 survive on them now? I can understand a moderate  
2 increase, but not of this magnitude. Thank you.

3 MR. MAKIN: Thank you, sir. Mr. Ed  
4 McFarland.

5 - - - - -

6 ED MCFARLAND

7 appeared as a witness and testified as follows:

8 DIRECT STATEMENT

9 WITNESS MCFARLAND: Good evening. First I  
10 would like to ask -- I was a little late getting  
11 here -- am I addressing the Public Service Regulation,  
12 or who am I addressing?

13 MR. MAKIN: We are the Staff of the Public  
14 Service Commission.

15 WITNESS MCFARLAND: Thank you, sir. My  
16 question is this.

17 MR. MAKIN: We're some of the Staff.

18 WITNESS MCFARLAND: My question is this,  
19 sir: How can we project at this time for the next 24  
20 months, or however this is set up to be increased, how  
21 can we project that this is going to be the correct  
22 increase or more than correct?

23 MR. MAKIN: At this point in time, you  
24 cannot. I cannot.

25 WITNESS MCFARLAND: That's exactly my

1 question, sir. We don't know the economy where we  
2 are. We're at a standstill right now, I think  
3 everybody in this county will agree; especially at a  
4 standstill, and it looks so all over the United States  
5 right now.

6 We're in a predicament and we're in a  
7 position where I don't see how we could possibly  
8 regulate a gas or electricity or anything else with  
9 regulations that would be justifiable to the public.

10 MR. MAKIN: It's very difficult.

11 WITNESS McFARLAND: Or to the industry.

12 MR. MAKIN: Yes, sir; very difficult.

13 WITNESS McFARLAND: I would appreciate very  
14 much that you would take that into consideration in  
15 these adjustments. Thank you, sir.

16 MR. MAKIN: Thank you, sir. Is there anyone  
17 else that would like to speak even if you did not sign  
18 the yellow sheet but you feel now that you would like  
19 to speak? If you would --

20 WITNESS PHILLIPS: I would like to ask one  
21 question.

22 MR. MAKIN: Give us your name and spell it.

23  
24  
25



1                                   **BOB PHILLIPS**

2 appeared as a witness and testified as follows:

3                                   **DIRECT STATEMENT**

4                   **WITNESS PHILLIPS:** Bob Phillips, B-O-B,  
5 P-H-I-L-L-I-P-S, 121 Wescott Circle, Port St. Joe.  
6 You all were saying that the gas company, when the  
7 paper mill went out, were going lose their revenue.  
8 Don't they have a contract with the paper mill where  
9 they pay a certain amount to the gas company whether  
10 they use one therm or none?

11                   **MR. MAKIN:** Yes, they do.

12                   **WITNESS PHILLIPS:** That's what I thought.

13                   **MR. SCHOAF:** I want to be clear on that.

14 The current contract we have with the paper mill that  
15 obligates them to pay money to St. Joe Gas, again,  
16 it's a direct wash that's paid straight to the Florida  
17 Gas Transmission. If they don't burn any gas, we  
18 don't make a penny. I want to be clear on that.

19                   **WITNESS McFARLAND:** If they don't --

20                   **MR. SCHOAF:** If they don't burn gas, we  
21 don't make one a penny on it. The contracts provide  
22 pipeline capacity that give them the opportunity, if  
23 they want it, to use gas in Port St. Joe. That's what  
24 they're paying on the contract, but to St. Joe Gas  
25 Company, there's no obligation to pay us. If they

1 burn no gas, we get nothing.

2 WITNESS PHILLIPS: I don't understand that.  
3 If they don't burn any gas, you don't make any; right,  
4 but they have a contract --

5 MR. SCHOAF: What they pay us is passed  
6 directly back to Florida Gas Transmission. It's for  
7 pipeline capacity, where they have the option to use  
8 gas. That's what they pay for on a regular basis  
9 that's under contract.

10 As far as -- and, again, I don't know how  
11 else to say it. If they burn no gas, we get nothing.  
12 It's real simple. That's the way it is.

13 UNIDENTIFIED SPEAKER: St. Joe's Natural Gas  
14 didn't move this pipeline in for St. Joe. I worked  
15 for the company that brought that pipeline into Port  
16 St. Joe. Even back then we had a contract that where  
17 we had to pay the gas company --

18 MR. SCHOAF: That -- that was back when the  
19 molecules were regulated, and in order to entice  
20 interstate pipeline companies to ever get -- make gas  
21 available in Gulf County, they had to get long-term  
22 commitments from customers like Basic. Basic is --

23 UNIDENTIFIED SPEAKER: (Inaudible overlap.)

24 MR. SCHOAF: -- is in Port St. Joe --

25 UNIDENTIFIED SPEAKER: (Inaudible overlap.)

1 (Court reporter asked for clarification.)

2 UNIDENTIFIED SPEAKER: I said we're the one  
3 that brought the gas line into Port St. Joe. We were  
4 the only customer there was in Port St. Joe when they  
5 run that pipeline in. We paid for that thing to come  
6 from Chipley to Port St. Joe. Even back then we had a  
7 contract with that company that we pay them a certain  
8 amount of money. We wrote them a check and -- in that  
9 plant now. We wrote them a check --

10 MR. SCHOAF: What plant are you talking  
11 about?

12 UNIDENTIFIED SPEAKER: Basic --

13 MR. SCHOAF: Basic --

14 UNIDENTIFIED SPEAKER: -- that original  
15 plant --

16 MR. SCHOAF: -- all right. That original  
17 contract was 20 years. It expired in the late '70s,  
18 and they're under no obligation since then.

19 UNIDENTIFIED SPEAKER: That's what I was  
20 trying to bring out about Arizona Chemical and --

21 MR. SCHOAF: Right.

22 UNIDENTIFIED SPEAKER: I know they got a  
23 contract with you. And they don't pay you anything if  
24 they don't burn any gas?

25 MR. SCHOAF: That's correct. Well, they

1 get -- we have a customer charge, and that's all.

2 UNIDENTIFIED SPEAKER: I don't understand  
3 that.

4 MR. SCHOAF: The financial obligations are  
5 passed straight to Florida Gas Transmission to reserve  
6 the right to transport gas into their plants if they  
7 choose to, and they pay this whether they use any gas  
8 or not. But it's no money to St. Joe Gas Company  
9 whatsoever.

10 We've never -- we have never had a --  
11 St. Joe Gas Company has never had a contract like  
12 you're referring to that Basic had that, in fact,  
13 required Basic to burn gas. We've never had any  
14 customer obligated in that same respect to burn gas on  
15 a regular basis. So our contracts are reserving  
16 capacity, and they have to pay for that whether they  
17 use it or not. So, again, if they don't burn any gas,  
18 we don't make anything.

19 UNIDENTIFIED SPEAKER: I don't understand.  
20 Thank you, sir.

21 MR. SCHOAF: I don't either, but that's the  
22 way it is.

23 MR. MAKIN: Can I clarify that for you, sir?  
24 Can I put this in perspective, if you'd just give me  
25 one second? Stone Container, Arizona Chemical, if

1 they don't use any gas at all, under the rate  
2 structure that's approved by the Commission they will  
3 each pay \$1,000. That's like your \$3.00 customer  
4 charge. They have \$1,000 customer charge; okay? What  
5 that covers is the meter on your house, the meter  
6 reading, which they've got to do to regulate them.  
7 They've got to do any month --

8 UNIDENTIFIED SPEAKER: I don't --

9 MR. MAKIN: -- whether you use gas or not,  
10 they've got to come out there and --

11 UNIDENTIFIED SPEAKER: I don't understand.

12 MR. MAKIN: -- see if you did use gas.

13 Okay. But if they don't burn any gas, there is no  
14 Line 3, Nonfuel Energy Charge; if they don't use any.  
15 Just like at your house, if you didn't use any gas,  
16 you'd pay three bucks, and that's it.

17 UNIDENTIFIED SPEAKER: Right. I understand  
18 that.

19 MR. MAKIN: Well, that's just part of the  
20 cost of doing business that's been separated out of  
21 the total. We could -- what we could do is not have a  
22 customer charge and then make your nonfuel -- your  
23 Line 3 a little higher to cover for that \$3.00. It's  
24 just an expense that the Commission years ago  
25 separated out to show you what the cost of providing

1 service -- remember I talked about providing  
2 service -- the cost of the service, providing you  
3 service irrespective of your usage.

4           So if you use nothing, there's a cost there.  
5 If you used 100 therms, that cost is still the same  
6 and then you pay for what you use; but that meter is  
7 there, that line to your house is there, the regulator  
8 is there, and somebody has to go out there and read  
9 the meter; and that's -- everybody pays that  
10 regardless of your usage, because we've got to do it  
11 every month.

12           UNIDENTIFIED SPEAKER: But, you know, this  
13 gas company or no other gas company, they don't just  
14 depend on their gas for their income to the gas  
15 company. Every time they come onto your property to  
16 read your meters, it's \$3.00. If you got trouble  
17 around there and they come around -- well, not  
18 trouble. Maybe if it's something on their line they  
19 will come out and fix it. But if you've got to have a  
20 gas meter moved or a gas line moved on your property,  
21 it's a terrible charge. Take my word for it.

22           I had mine moved three years ago. I got the  
23 bill from moving it around the corner of my house. It  
24 cost me \$161.00 to pick it up here and set it around  
25 there. So gas is -- you know, not the onliest income

1 is gas. Like I say, maintenance rates is terrible  
2 that they got. I don't know who the maintenance  
3 people that makes that kind of money except the gas  
4 company. They got other income other than gas.

5 MR. MAKIN: Thank you, sir.

6 - - - - -

7 TERRY STAAB

8 appeared as a witness and testified as follows:

9 DIRECT STATEMENT

10 WITNESS STAAB: My name is Terry S-T-A-A-B.  
11 I live 9117 Tulip Avenue, Port St. Joe. What this all  
12 boils down to, if I'm understanding you all right,  
13 probably the paper mill, maybe Arizona Chemical, some  
14 of these were unhappy with their gas rates and wanted  
15 a reduction. So in order for them to get less than a  
16 cent per therm reduction, we're going to pay through  
17 the nose for it in order to -- I'm not saying anything  
18 as far as the gas company's percentage of return. I  
19 think anybody ought to be able to get a return.

20 But in order for them to get their return  
21 and probably to keep the other ones as customers,  
22 we're going to end up paying it. That's about what it  
23 boils down to; right, because they're the only ones on  
24 here that are getting a reduction.

25 MR. MAKIN: Yes, sir. Yes, sir. You're

1 absolutely correct. I'd like to say it in a kinder,  
2 gentler way than we've heard before, but, yes, sir,  
3 that is exactly -- what you see on this blue page is  
4 what they're asking for, and what you see is what you  
5 get type thing. You're absolutely correct.

6 Is anyone -- yes, ma'am. Give us your name  
7 again, please.

8 WITNESS WHITE: Anne White. I'm in the air  
9 conditioning business, and through the years we have  
10 pushed gas, natural gas. Of course it takes a lot  
11 more time to install it because of the venting and  
12 everything, but in the long run, we've seen that the  
13 customer comes out better, or did in the past.

14 It's looks like they're going to pay more in  
15 the future. So my husband and I have already started  
16 talking. We're not paying our customers' bills.  
17 They're going to have to pay them further down the  
18 road, and instead of saying, hey, you can get a better  
19 deal with gas than you can with electric, we're going  
20 to be forced into pushing heat pumps to make our  
21 customers happy, because we want customers and we want  
22 to keep them. We don't want to make them mad. And we  
23 push them -- all these high gas bills, we're going to  
24 have some enemies without a doubt, because they're not  
25 going to be able to afford it.



1           Y'all don't seem to understand. We're  
2 sitting here listening to you all, and it's sounding  
3 to us like this is a fixed deal. We're wasting our  
4 night. We need to be home watching TV. But, I mean,  
5 y'all don't understand the situation that we're in,  
6 but we know we're going to get what we get and we're  
7 going to have to do what we've got to do. So in my  
8 business, rates go up, I'll push heat pumps. That  
9 will do away with the people with gas.

10           MR. MAKIN: I truly hope we're not giving  
11 you that impression.

12           WITNESS WHITE: Yes, sir, you are.

13           MR. MAKIN: Well, if we're giving you that  
14 impression, shame on us, shame on me.

15           WITNESS WHITE: Shame on you all --

16           MR. MAKIN: -- because I've been --

17           WITNESS WHITE: -- because you don't --

18           MR. MAKIN: -- doing all the talking.

19           WITNESS WHITE: What we're going through  
20 right now and y'all put more bills on us, y'all are  
21 killing us. Not just y'all; the mill is going to hurt  
22 us. The division -- the telephone company is laid  
23 off -- I don't know where you all are from,  
24 Jacksonville, Tallahassee or where, but you're not in  
25 the situation that we are here. Your money goes

1 better than it does in this town, and we're well-known  
2 to be a depressed area.

3           If Stuart is the one that put in to up the  
4 rates, I think he, himself, needs to rethink this  
5 situation because of the area and the situation that  
6 we're in right now. I don't know. Maybe y'all are  
7 pushing him to do it. I don't know.

8           MR. MAKIN: Now, remember when we said --  
9 thank you very much -- what we said earlier? This was  
10 a filing by St. Joe. Nothing has been done; no  
11 recommendation. Even if, as an example, four of us,  
12 five of us decide, yeah, this is a good idea to make a  
13 recommendation, to approve this to the Commission,  
14 they're not bound by our recommendation. They can  
15 deny and just throw the whole thing away. We're not  
16 bound to do anything except make the recommendation.  
17 That's the reason we're here is to get your input.

18           If this is going to kill everybody, this is  
19 going to -- devastation, that's a lot of weight on  
20 this filing, like I said earlier. That's one of the  
21 things we look --

22           WITNESS WHITE: I just hope you all are  
23 paying attention to what you're hearing in this town  
24 tonight. That's all I ask. Just listen to what we're  
25 asking. If you have to raise them a little bit, so be

1 it. We all in our businesses have to raise it a  
2 little bit. I wish I could raise my rates 100%. I'd  
3 be put out of business.

4           **MR. MAKIN:** Of course everybody knows that  
5 lives in St. Joe and the surrounding areas served by  
6 St. Joe Natural Gas, they've never had an increase.  
7 These are the same rates they had when they first  
8 opened the doors for business; never had a rate  
9 increase.

10           In fact, we've had them before the  
11 Commission for making too much money; making too much  
12 money, and the reason they were making too much money  
13 is because they didn't spend any money. I mean, I  
14 wouldn't call the gas company location the Taj Mahal  
15 or someplace you would want to go and stay for a  
16 couple hours. Bare bones. Yet I see some of the -- I  
17 mean, Florida Power Corporation serves St. Joe. Big  
18 outfit, lot of money. It's all relative. But just as  
19 a point, they've never, ever had a change in their  
20 rates since day they opened the door.

21           **WITNESS WILLIAMS:** I hate to stand up again,  
22 sir. What the lady said is absolutely true. I was  
23 going to mention it earlier. I said I wasn't going to  
24 get into personalities, but you're --

25           **MR. MAKIN:** Your name, sir?

1                   **WITNESS WILLIAMS:** Bo Williams, B-O,  
2 W-I-L-L-I-A-M-S, and I don't live in a post office  
3 box. I do live at 86088 West Highway 98, Beacon Hill,  
4 Port St. Joe.

5                   What you're doing is you're apologizing for  
6 that utility. Don't do that. It's not your fault  
7 they haven't raised the rates. I tried to be very  
8 gentlemanly about it and say the visionaries,  
9 management, didn't raise those rates because they  
10 didn't have the vision. They didn't have the vision.  
11 They put all their eggs in one basket. Now, the hen  
12 has died and now they're sucking it up. Now they want  
13 to pass it on to us.

14                   But don't sit there and apologize for them.  
15 You're going to get paid whether they get a raise or  
16 not, so please don't do that. Thank you.

17                   **MR. MAKIN:** Thank you, sir.

18                   **MS. BULECZA-BANKS:** Does anyone have any --  
19 any other comments they would like to make? We're  
20 going to be around here for at least the next 45  
21 minutes. If anyone would like to come up to us, if  
22 there's any questions any other additional comments  
23 you would like to make, we will stay here and be  
24 available. If there's any other clarifications we can  
25 make to you explaining the process or just any

1 questions about your bill, we'll be happy to try to do  
2 our best to answer your questions.

3           We thank you for attending tonight. This  
4 record will be taken up, it will be compiled, a  
5 transcript made, and provided to the Commissioners.  
6 Thank you again.

7           (Thereupon, the meeting concluded at 7:50  
8 p.m.)

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

3 I, RUTHE POTAMI, CSR, RPR Official  
4 Commission Reporter,

5 DO HEREBY CERTIFY that the Customer Meeting  
6 in Docket No. 970115-GU was heard by the Staff of the  
7 Florida Public Service Commission at the time and  
8 place herein stated; it is further

9 CERTIFIED that I stenographically reported  
10 the said proceedings; that the same has been  
11 transcribed under my direct supervision; and that this  
12 transcript, consisting of 70 pages, constitutes a true  
13 transcription of my notes of said proceedings.

10

11 DATED this 18th day of March, 1997.

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H. RUTHE POTAMI, CSR, RPR  
Official Commission Reporter  
(904) 413-6732