



## APPEARANCES (Continued):

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EVIDENCEFOR IDENTIFICATION IN

(None.)

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P R O C E E D I N G S

6:10 p.m.

ADMINISTRATIVE LAW JUDGE MICHAEL A. NEMEC: This evening we have a Further Public Input Hearing here in Butler in a rate increase request by T. W. Phillips Gas and Oil Company. This matter is docketed at R-00005459.

My name is Michael Nemec. I am an Administrative Law Judge and I have been assigned to conduct the Commission's investigation into this requested rate increase. T. W. Phillips has asked for an approximate \$15 million increase in their base rates.

The Commission's regulations require that I give you some background information with regard to this case.

The increase request was filed on July 14th, 2000, and the company proposed the increase to become effective on September 12th, 2000. The Commission entered an order on August 17th, 2000 which suspended the effective date of proposed increase until April 12th, 2001 and instituted the present investigation.

In addition to the Commission's investigation, complaints have been filed against the proposed rate increase by the Office of Consumer Advocate, the Office of Small Business Advocate, approximately 12 residential

customers and at least one commercial customer.

We have, in addition to the public input hearing here tonight, another one tomorrow night in Punxsutawney, and then next month, December 12th through the 15th, we have evidentiary hearings scheduled for Harrisburg.

At the evidentiary hearings, witnesses for both Phillips and for the other active parties will be cross examined. Most of the testimony and exhibits have already been filed as prepared statements and exhibits.

The parties have an opportunity to review that and then cross examine the witnesses.

First, I would like to introduce the folks who are seated with me. At the far end is the court reporter, Barb Spin, who is taking the verbatim record of what is said here. The record is important both for my purposes and for the Commission's purposes in terms of what customers of Phillips have to say about this proposed increase.

To my left is Michael Hassell who is an attorney with Phillips and represents Phillips in this case. To my immediate right is Carol Pennington from the Office of Small Business Advocate in Harrisburg. Their job is to represent small businesses and their interests in

proceedings before the Commission.

Next to her is Johnnie Simms who is a prosecuting attorney with the Office of Trial Staff. The Office of Trial Staff prosecutes cases for the Commission's, particularly in Commission investigations.

To his right is Lori Pantelich from the Office of Consumer Advocate. She is here with Attorney Stephen Keene. They represent residential customers before the Commission in Commission cases.

I am going to ask now if any counsel would like to make an opening statement.

Mr. Hassell?

MR. HASSELL: Thank you, Your Honor. My name is Mike Hassell. As the Judge said, I am an attorney representing T. W. Phillips Gas and Oil Company. On behalf of the company, I would like to thank you all for coming out this evening.

The Judge will later give you instructions about how you can participate in this evening's proceedings. We do encourage you to participate.

Earlier today, I tried to give some information about the components of the company's rates, but at times I think I confused more people than I clarified, so I am going to try and make it a little simpler or

less involved.

This case concerns the company's request for an increase of rates for recovery of non-gas costs. The non-gas costs are those portions of the company's rates that provides for recovery of things like employee wages, maintenance of facilities and the installation of facilities necessary to serve customers and the provision of a return or profit on that.

The company's rates do in fact include also a component of the recovery of gas cost. This proceeding is not about recovery of gas costs, although some of you have probably seen your bills and seen that the gas costs have increased lately, and this is consistent with a national trend during the past year involving increases in things like gasoline and oil.

With respect to non-gas costs, the company's last requested increase became effective in 1995. Since that time, the company's non-gas costs rates have not increased. In fact, there was a very slight decrease in the rate earlier this year.

During that period of time, however, the company has experienced increases in costs such as increases in wages, the need to install facilities. It is those changes that have occurred since that point five years



ago that the company is now presenting as a reason for the increase. It is not gas costs.

At the table in the back, there is a Statement of Reasons which provides a little further detail of the costs that are underlining the company's request for an increase today.

Finally, I would like to introduce Jennifer Dugan. Would you please stand?

MS. DUGAN: Good evening.

MR. HASSELL: Jennifer is the manager of the company's customer services department. If any of you have a concern that might be specific to your own bill, wondering how the bill was calculated or have some questions about your payments, I encourage you, please, to talk to Jennifer after we are done here this evening.

She may or may not be able to help you directly this evening. If she cannot help you this evening, she will get some information and will give you a call back.

That concludes my statement. Again, I encourage you to testify this evening. Thank you.

JUDGE NEMEC: Mr. Simms.

MR. SIMMS: Thank you, Your Honor. Good evening.

My name is Johnnie Simms. I am a senior prosecutor with the Commission's Office of Trial Staff.

The Office of Trial Staff is charged by statute to represent the public interest in proceedings before the Commission. In our office we have attorneys like myself, expert witnesses, accountants and engineers.

We have already presented and filed with the parties and Judge Nemeč pre-filed direct testimony from these expert witnesses as to how much of the \$15 million we believe T. W. Phillips should be awarded by the Commission.

As Judge Nemeč indicated, this is your opportunity to present your views and comments about this rate proceeding. I look forward to hearing your comments. If you have any questions that you need to have answered, I will be in attendance after the hearing is concluded.

Once again, I thank you for your attendance tonight and look forward to your comments.

JUDGE NEMEC: Ms. Pantelich.

MS. PANTELICH: My name is Lori Pantelich. I am with the Office of Consumer Advocate, and I am here tonight with Stephen Keene.

Our office is a state office. We represent the public utility consumers who are primarily residential consumers in matters before the Pennsylvania Public

Utility Commission.

As you may have already noticed, we have some brochures in the back that give some information about our office. There is a form you can fill out if you would like to be on a mailing list. After the meeting, please feel free to talk to us if you have any questions or concerns.

Since this case was filed, our office has been working along with a team of utility experts to thoroughly examine the increase in rates that T. W. Phillips has requested in order to determine whether any of its claims may be overstated.

We will be an active participant in the technical evidentiary hearings which are scheduled for December in Harrisburg. We will then submit our recommendations to the Commission explaining why we believe that the company's requests are too high.

It is our goal to recommend to the Administrative Law Judge and to the Commission that the company's rates be set as low as reasonably possible.

The purpose of this evening's hearing is to hear from members of the public. We want to hear your opinions and your concerns. I encourage everyone who is interested in this matter to testify, and I would also

encourage that you do testify under oath so that we can use your comments in any briefs that we submit to the Commission in this case. Thank you.

JUDGE NEMEC: Ms. Pennington.

MS. PENNINGTON: Good evening. My name is Carol Pennington. I am an attorney with the Office of Small Business Advocate. My office represents the interests of small business before the Public Utility Commission.

We have hired the services of an outside expert to look at all the issues in this case, but especially those that affect small businesses. We have already submitted testimony in this case and will be a participant in all the other phases of the case.

If you are the owner or manager of a small business, I would encourage you to testify on the record here tonight, and I will be available to talk with you after the proceedings. Thank you.

JUDGE NEMEC: Thank you, all. By law, the Commission has to render its decision on this rate increase request on or before April 12th of 2001. In order to provide the Commission and all parties with sufficient time to review my decision before the Commission enters its final order, I anticipate that my

recommended decision will be issued on or about February 12th, 2001.

With that background and the presentations of the other parties, let's get on to the important part. Everyone who is here who is a customer of T. W. Phillips has an opportunity to present testimony under oath. If you do that, we make a record of it, number one. Number two, I may use it in my recommended decision, the parties may use it in their briefs and the Commission may rely on it in their final order.

If you want to present an unsworn statement, you may do that, but then we only take your name and address and the rest of your statement is not on the record and we cannot use it.

The third option is simply to listen and to then later ask questions of any of us who are here.

I have three names in the sign-up list. I will start with John Boozel. Do you wish to make a statement?

MR. BOOZEL: Yes.

JUDGE NEMEC: Come on up here. Pull that chair out a little bit because we want to make this as easy and comfortable as possible. Please raise your right hand.

Whereupon,

JOHN BOOZEL, II

having been duly sworn, testified as follows:

DIRECT TESTIMONY

JUDGE NEMEC: State your name.

THE WITNESS: John Boozel, II.

JUDGE NEMEC: And, your address, please?

THE WITNESS: It's 175 Dutch Town Road, Butler,  
PA.

JUDGE NEMEC: And, the zip code there?

THE WITNESS: It's 16002

JUDGE NEMEC: Are you a customer of T. W.

Phillips?

THE WITNESS: Yes, I am.

JUDGE NEMEC: Okay, sir, go ahead.

THE WITNESS: I am here tonight simply because I am concerned, as a residential customer, about the requested rate increase. I'm not certain exactly on the number figures, but I do know, from the information I have read through the notices T. W. Phillips has put out and the newspaper has put out, that it would substantially raise my gas bills.

I currently live in what I consider a small three bedroom ranch home. The only use we currently have for

gas is for heating purposes. Through the winter my gas bills at the current time exceed any other utility bill that I have.

In looking at last winter's gas bills, I was averaging somewhere in the neighborhood of \$80 to \$85 a month in T. W. Phillips gas bills.

My wife and I both work Monday through Friday. We are not home from about 7:00 in the morning until 4:00 in the afternoon, and we make a habit of turning the furnace completely off during that time simply to try and conserve the gas that would be used by the furnace.

We also have two small children, ages four and one, and we try to keep the furnace set at about 62 degrees as a constant through the winter, and that's pretty cool, especially when you have young kids, but with all the other bills and expenses that we incur, that's what we have to do.

I am very concerned. It was mentioned that the last rate increase was in 1995, and I don't know what the rate increase was at that time. I don't believe I was a customer of T. W. Phillips at that time, but can I ask what the percentage of the rate increase is that's been requested?

JUDGE NEMEC: Mr. Hassell?

MR. HASSELL: The increase overall amounts to about 18 percent of T. W. Phillips annual revenue. The effect as it relates to any individual customer varies. That's just an overall number.

THE WITNESS: I just have a genuine concern with that large of a rate increase in an all of a sudden lump sum figure. I think it's exorbitant. My wages certainly aren't going up at that rate and everything else around me is, including the price of gasoline and all the utilities. That's where my concern lies.

I also have a concern in that I am charged a customer service charge, which I understand is just part of being a customer, but that comes out to about \$8.50 a month for absolutely no gas used. In my mind, that means I'm paying about \$50 a year to T. W. Phillips for the benefit of them being my gas provider, and that's above and beyond whatever gas I used in the winter time.

I would be concerned as to whether that will go up. If we are talking 20 percent, is that going to be up another couple dollars a month straight through the summer when I don't use any gas at all?

JUDGE NEMEC: Any questions?



MR. HASSELL: No questions, Your Honor.

JUDGE NEMEC: I don't know the answer to your question. Is Phillips proposing an increase in the customer service charge?

MR. HASSELL: Your Honor, the company has proposed an increase in various customer charges including residential.

JUDGE NEMEC: Thank you, sir.

(Witness excused.)

JUDGE NEMEC: Donald Sankey.

Whereupon,

DONALD SANKEY

having been duly sworn, testified as follows:

DIRECT TESTIMONY

JUDGE NEMEC: Please state your name, sir.

THE WITNESS: Donald Sankey.

JUDGE NEMEC: And, your address?

THE WITNESS: It's 200 Eighth Avenue, Butler, Pennsylvania 16001.

JUDGE NEMEC: Are you a customer of T. W. Phillips?

THE WITNESS: I am a customer of T. W. Phillips.

JUDGE NEMEC: A residential customer?

THE WITNESS: Yes.

JUDGE NEMEC: Okay, sir, go ahead.

THE WITNESS: My concern about these rates that they are asking for is that it's a one lump sum, boom, right now, here it is. My concern is about people on fixed incomes, the elderly. Right now they are scrimping and saving to pay their taxes, pay their prescriptions, pay for groceries, and now T. W. Phillips wants to slap them in the face with extended gas prices.

Now they have to make decisions of now what do I pay for, prescriptions to be healthy, food to heat or gas to keep my house warm? I think over the years, if T. W. Phillips wanted these kinds of rates, maybe one to two percent a year would be better than asking for a 25 percent increase, or 18 percent increase, in one lump sum.

Most utilities ask for a small increase over a number of years, not 25 or 30 percent or whatever it is they want in one lump sum. I don't think people would have trouble adjusting to that.

In this area right now, wages are running around three to four percent per year, and that's what the people are living on, and then T. W. Phillips wants to come out and ask for an 25 to 18 percent increase in

their rates. I don't think it's right. I don't think it's fair to the people of Butler County, business or residential customers.

I see new equipment running around Butler with T. W. Phillips' name on it, new Dodge trucks, new dump trucks. I understand they need that, but I think they better get a little better planning in how they want these rate increases and spread their money out a little bit more.

I know they have employees they have to take care of, but I think they should do a little better planning rather than just come out with a lump sum 25 percent increase. That's all I have to say.

JUDGE NEMEC: Any questions?

MR. HASSELL: No questions.

JUDGE NEMEC: Thank you, sir.

(Witness excused.)

Jerome Macurak?

MR. MACURAK: I am just listening.

JUDGE NEMEC: Okay, sir. Do we have anyone else who wishes to make a statement?

(No response.)

Okay. Thank you for coming. We will adjourn at this time, to resume tomorrow night in Punxsutawney, but

if you have any questions for any of us, you can stick around and talk to us.

(Whereupon, at 6:30 p.m., the hearing was adjourned, to reconvene on November 9th, 2000, at 7:00 p.m. in Punxsutawney, Pennsylvania.)

C E R T I F I C A T E

I hereby certify, as the stenographic reporter, that the foregoing proceedings were reported by me and thereafter reduced to typewriting by me or under my direction; and that this transcript is a true and accurate record to the best of my ability.

COMMONWEALTH REPORTING COMPANY,  
INC.

BY: \_\_\_\_\_  
Barbara A. Spin