

1 PLACE: Public Works Building
2 161 South Charlotte Street
3 Asheville, North Carolina

4 DATE: Tuesday, July 8, 2008

5 DOCKET NO.: G-5, Sub 495

6 TIME IN SESSION: 7:00 P.M. - 7:15 P.M.

7 BEFORE: Commissioner Howard N. Lee, Presiding
8 Commissioner Robert V. Owens, Jr.

9 IN THE MATTER OF:

10 Public Service Company of North Carolina, Inc.:
11 Application for a General Increase in Its Rates and
12 Charges

13 A P P E A R A N C E S:

14 FOR PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INC.:

15 Mary Lynne Grigg
16 Womble Carlyle Sandridge & Rice
17 150 Fayetteville Street Mall, Suite 2100
18 Raleigh, North Carolina 27612

19 Craig Collins, Assistant General Counsel
20 SCANA Corporation
21 1426 Main Street
22 Columbia, South Carolina 29201

23 FOR THE USING AND CONSUMING PUBLIC:

24 Gina C. Holt, Staff Attorney
Public Staff - North Carolina Utilities Commission
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INDEXPAGEKEITH LEVI

Direct Examination by Ms. Holt.	6
Direct Statement.	7
Examination by Commissioner Owens	11

P R O C E E D I N G S

COMMISSIONER LEE: Good evening. Let's come on the record, please, come to order. I'm Commissioner Howard N. Lee with the North Carolina Utilities Commission and with me is Commissioner Robert V. Owens, Jr.

The Commission now calls at this time for public hearing for the purpose of taking public witness testimony on Docket G -- Docket No. G-5, Sub 495, in the matter of an application of Public Service Company of North Carolina, Incorporated, for adjustment of its rates and charges.

On February 27, 2008, Public Service Company of North Carolina, Incorporated, gave notice of intent to file for a general rate case. On March 10, 2008, Carolina Utility Customers Association, Incorporated -- CUCA -- filed a petition to intervene and an Order granting this petition to intervene was issued by the Commission on March 11, 2008.

On March 12, 2008, the Attorney General filed a notice of intervention pursuant to General Statute 62-20.

On March 31st, 2008, Public Service Company of North Carolina, Incorporated, filed an application, direct testimony and exhibits requesting authority to increase its rates and charges.

1 On April 3, 2008, the Commission issued an Order
2 scheduling investigating [sic] and hearing, suspending
3 proposed rates, establishing intervention and testimony
4 due dates and discovery guidelines and requiring public
5 notice.

6 Pursuant to this Order, this docket has been
7 scheduled for public hearings in Statesville, Asheville,
8 Gastonia, Durham and Raleigh for the purpose of taking
9 public witness testimony on the application.

10 An evidentiary hearing on the application has
11 been scheduled for Tuesday, August 26, 2008, at 9:30 a.m.
12 to be held in the Commission hearing room in Raleigh. At
13 that time, the Commission will receive additional public
14 witness testimony and expert witness testimony of the
15 parties.

16 This public hearing is for the purpose of
17 receiving testimony of public witnesses only.

18 Pursuant to General Statute 138A-15(c) I remind
19 members of the Commission of their duty to avoid conflicts
20 of interest and inquire at this time as to whether any
21 commissioner has any known conflict of interest with
22 respect to this docket?

23 (No Response.)

24 Having surveyed, I find no indication of such

1 conflict. Let the record reflect that no such conflicts
2 were identified.

3 I now call upon counsel for the parties to
4 announce their appearances for the record, beginning with
5 the applicant, the Company.

6 MS. GRIGG: Good evening, Commissioner Lee,
7 Commissioner Owens. I'm Mary Lynne Grigg with Womble,
8 Carlyle, Sandridge & Rice on behalf of PSNC Energy. Also
9 on behalf of the Company is Mr. Craig Collins, assistant
10 general counsel for SCANA, who's been admitted pro hac
11 vice.

12 MS. HOLT: Good evening. I'm Gina Holt with the
13 Public Staff appearing on behalf of the Using and
14 Consuming Public.

15 COMMISSIONER LEE: Before we commence this
16 public hearing, are there any preliminary matters that we
17 need to settle with either the Company or the Public
18 Staff?

19 MS. GRIGG: No, sir.

20 MS. HOLT: No.

21 COMMISSIONER LEE: Ms. Holt, has any public
22 witnesses indicated that they wish to testify?

23 MS. HOLT: Yes, they have. The Public Staff
24 calls Mr. Keith Lynn?

1 MR. LEVI: Levi.

2 MS. HOLT: Levi.

3 COMMISSIONER LEE: We are here for this evening
4 -- we are here for this evening is a public hearing to
5 hear from public witnesses. Those of you who are
6 interested in testifying will be called to the proper
7 position. You will be sworn or affirmed, depending on
8 your choice, and you may give your statement in any way
9 you wish to give it.

10 When you have completed your statement, if you
11 would remain in the seat, I will see if the attorneys for
12 any party would like to ask you questions. These are more
13 informal proceedings and they are for the benefit -- and
14 for you to speak to the Commission about your views on the
15 rate case as you wish.

16 Do you wish to be sworn or affirmed?

17 MR. LEVI: Sworn is fine.

18 KEITH LEVI; Being first duly sworn,

19 testified as follows:

20 DIRECT EXAMINATION BY MS. HOLT:

21 COMMISSIONER LEE: Ms. Holt.

22 Q. Please state and spell your last name and provide
23 your address for the record.

24 A. Keith Levi, L-E-V-I. My address is 28 Woodlawn

1 Avenue, Asheville, North Carolina, 28801.

2 Q. Please proceed with your statement.

3 DIRECT STATEMENT:

4 Thank you for this opportunity, Commissioners.

5 I spoke against PSNC's 2006 request for an increase in
6 rates because I did not find their case convincing. I now
7 find their current arguments in favor of their newest
8 proposed rate increase equally unconvincing.

9 As in 2006, PSNC is providing as justification
10 for their proposed rate increase the extensive
11 infrastructure work that they have performed to add
12 additional customer base. PSNC states that they have
13 installed 929 miles of transmission and distribution mains
14 and 41,492 service lines, with an addition of 31,812
15 customers.

16 It is a very particular economic argument to
17 declare that one's business viability is damaged by the
18 expansion of one's customer base. Most companies strive
19 to add customers, believing that they can achieve
20 economies of scale and efficiencies that should allow them
21 to lower costs to their customers. PSNC seems to be
22 arguing that the more customers that they serve, the more
23 they must charge.

24 This counter-intuitive argument should be

1 demonstrated through an unsatisfactory financial return on
2 capital. However, PSNC states that during the past year
3 they had a return on capital of 7.68 percent. As a means
4 of comparison, the annualized 10-year return on the Lehman
5 Brothers Aggregate Bond Index was 5.96 percent; the
6 annualized 10-year return on the S&P 500 Index was 2.88
7 percent; and the annualized 10-year return on the Russell
8 3000 Utilities Index was 4.4 percent.

9 The annual rate of return on invested capital
10 for PSNC for the previous year has outperformed bonds,
11 stocks and the utility sector in general on a 10-year
12 annualized return.

13 While PSNC is apparently disappointed in this
14 rate of return, it does not seem to indicate declining
15 financial health brought on by infrastructure expansion.
16 It certainly does not justify the 3.48 percent rate
17 increase on residential customers already hit by spirally
18 natural gas prices. Price increases that PSNC is allowed
19 to throughput to their customers. It certainly does not
20 justify a 20 percent basic facility charge increase, which
21 is on top of the 43 percent increase approved in 2006.

22 Secondly, PSNC argues that declining usage is
23 causing a reduction in margins that it should be
24 receiving. While this assertion is not borne out by their

1 financial statements, they do argue that this declining
2 use inhibits the company from implementing energy
3 efficiency and conservation initiatives for its customers.
4 Yet it is the very conservation measures implemented by
5 their customers, better insulated homes and more efficient
6 appliances, that cost PSNC to argue for a rate increase.
7 PSNC cannot simultaneously argue that they wish their
8 customers to conserve and then use this conservation as a
9 rationale for excessive rate increases.

10 Therefore, PSNC is proposing a new residential
11 rate structure for high efficiency residential services,
12 which it will only propose if its new higher rates are
13 approved. While a new lower rate to encourage energy
14 savings is admirable, please keep in mind that it is being
15 proposed in conjunction with a rate increase.

16 To qualify for Rate 102, a home must be Energy
17 Star or LEED certified. According to the U.S. Department
18 of Energy, less than three percent of new homes
19 constructed in North Carolina are Energy Star certified,
20 even less are LEED certified. In effect, PSNC is
21 proposing a 3.4 percent rate increase for 97 percent of
22 its consumers and greenwashing this price hike with claims
23 of supporting green building.

24 Furthermore, those most harmed by rate

1 increases, the elderly, those on fixed incomes and those
2 with lower income, are the least likely to purchase an
3 Energy Star or LEED certified home.

4 The North Carolina consumer is being hammered
5 from all sides; rising gasoline and energy prices, record
6 foods prices, and with all probabilities a recession. It
7 is within this atmosphere of \$4 a gallon gas that PSNC is
8 coming to the North Carolina Utilities Commission and
9 saying we need more. A nearly eight percent return on
10 capital is not enough. We need more and we need the North
11 Carolina consumer to pay it.

12 This rate increase is not justified by PSNC's
13 balance sheet, which is healthy. Please reject PSNC's
14 request for rate increases, both its usage rate and
15 facilities fee. Demand that they decouple a new energy
16 efficiency reduced rate from proposed rate increases.
17 Either they are advocating energy efficiency or they are
18 not. They should not hide rate increases for 97 percent
19 of their consumers behind rate increases for less than
20 three percent of their users. Thank you.

21 COMMISSIONER LEE: Are there questions from the
22 Company?

23 MS. GRIGG: No, sir.

24 COMMISSIONER LEE: Questions from --

1 MS. HOLT: I have no questions.

2 COMMISSIONER LEE: -- the Public Staff?

3 Questions --

4 EXAMINATION BY COMMISSIONER OWENS:

5 Q. Yeah. Mr. Levi, just a question. I'm not
6 questioning you. An interesting point you brought up
7 about three percent of the homes in North Carolina. Where
8 did that information come from? I am not questioning you.
9 It's an interesting fact.

10 A. It came from the Energy Star website. They have a
11 map of the U.S. and it has percentage of homes in a year
12 and by state.

13 Q. Thank you.

14 COMMISSIONER LEE: Well, if there is no further
15 questions, you are excused.

16 (Whereupon, the witness was dismissed.)

17 Are there other witnesses to be heard? I will
18 inquire as to whether or not there are others in the
19 audience who wish to be heard at this time?

20 (No Response.)

21 I received no indication that such people are
22 present, and if there's no one else who wishes to be
23 heard, this meeting will be adjourned until tomorrow
24 afternoon at 2:00 p.m. in Gastonia, North Carolina. We're

1 off the record.

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Whereupon, the hearing was adjourned.

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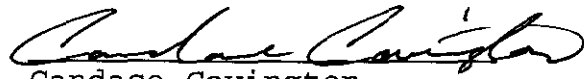
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CERTIFICATE

The undersigned Court Reporter certifies that this is the transcription of notes taken by her during this proceeding and that the same is true, accurate and correct.



Candace Covington
Court Reporter II