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July 20, 2004

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COMMISSION
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BY HAND DELIVERY

Ms. Blanca Bayó
Director, Division of Commission Clerk and Administrative Services
Room 110, Easley Building
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

Re: Docket 040002-EG

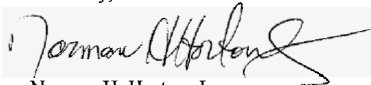
Dear Ms. Bayó:

Enclosed for filing in the captioned docket are an original and ten copies of the Florida Public Utilities Responses to the Commission Staff's 2003 Electric Conservation Audit Exceptions and Disclosures.

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me.

Thank you for your assistance with this filing.

Sincerely,



Norman H. Horton, Jr.

- CMP _____
- COM _____
- CTR _____
- ECR _____
- GCL _____
- OPC _____
- MMS _____
- RCA _____
- SCR _____
- SEC 1 _____
- OTH _____

NHH/amb
Enclosures

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PPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-1
07906 JUL 20

2003 RESPONSES TO THE ELECTRIC CONSERVATION AUDIT

Audit Exception No. 1: Allocation of Leasehold Improvements

The company agrees with the auditor's opinion that the leasehold improvement expense be reduced to 12% to reflect consistency with the allocation methodology used for the rent.

Audit Exception No. 2: Charges for Non-conservation items

1. The company agrees with the auditor's opinion concerning expenses associated with the purchase of tickets for the Daytona 500.

The company recommends that the \$252.00 is not recoverable through conservation.

2. The company agrees with the auditor's finding. The amount of \$120.48 should be removed conservation.

Therefore, the expense of \$120.48 should not be charged to conservation.

3. The golf outing took place during the Southern Gas Association Builders and Developers Conference, May 15-17, 2003 at Hilton Head. The participants in the golf outing included a company employee and natural gas builders. However, the expense associated with this activity was charged to 114.4010.907. This cost was included in the employee's monthly reimbursable expense report. The expense should have been charged to a non-conservation natural gas account.

The company recommends that \$249.00 should not be charged to electric conservation.

4. The company agrees with the auditor's opinion.

The company considers that the total advertising expenses for the Hearth & Patio store should not be recovered through conservation.

Audit Disclosure No. 1: Advertising Criteria Advertising and Promotional Items

1. Along with the standards for conservation advertising identified in Commission Rule 25-17.015(5); this section also states that the "Commission shall consider, but is not limited to whether the advertisement or advertising campaign" to the specified standards.

In November 2001, FPUC (Bob Smith, Mike Peacock and Doc Horton) met with the PSC staff (Cheryl Bulecza-Banks, Lee Colson, the PSC attorney and others whose names were not recorded) to discuss conservation expenses for the year 2000. During this meeting it was determined that because of the FPUC's synergies between electric and gas, the company would be allowed to use in its advertising (as appropriate for billboards, signage and promotional items):

DOCUMENT NUMBER-DATE

07906 JUL 20 3

FPSC-COMMISSION CLERK

- *The company name*
- *The GoodCents logo (identifies the company's conservation program)*
- *Web site address (allows for customers to contact the company through the web site address. There are at least 9 conservation related pages on the web site. The web site has information on energy surveys, conservation measures and tips that provide direction concerning how to obtain help to alleviate the problem. (In some instances, a local telephone number is provided in lieu of the company's web site address.)*

This allows for cost synergies to be maintained for all divisions of FPUC and reduces the overall expense (i.e. on billboards, signage and promotional items). The components noted above are used when space is limited for providing any additional copy content. Copy content is expanded specifically to meet the standards identified in Commission Rule 25-17.015(5) for use in broadcast and print media where more discussion can be provided to customers.

The company has held discussions with the PSC staff on conservation advertising and promotional items. The company has determined that these discussions have resulted in established practices for the implementation of the advertising criteria. For the years: 2001 and 2002, the company responses to the PSC audits with regards to the advertising criteria have been accepted. The company affirmatively has demonstrated that such charges are in the interest of ratepayers. The company considers its established practices are prudent and reasonable; therefore the expenses should be recoverable through the ECCR.

The company recommends that the total amount of \$13,110.38 (\$2,558.97 for Marianna and \$10,515.41 for Fernandina Beach) should be charged to conservation.

Polo Shirts

2. The purchase of 37 polo shirts in Fernandina Beach is not in compliance with the agreed upon discussion held with PSC staff for advertising and promotional items in November 2001 (refer to the response provided above in item no. 1). The shirts did not include a method of contact (i.e. the web site address or telephone number should have been specified on the shirts).

Therefore, the expense of \$1,096.54 charged for the shirts are not recoverable through conservation.

Nassau Builders Council: Event Sponsorship

3. The Nassau Builders Council event sponsorship provided FPUC with face-to-face opportunities to educate consumers and builders about the Good Cents Home/Energy Star program. This event sponsorship allows the company to discuss with consumers and builders the various measures designed to reduce energy consumption and reduce their energy bills. Literature and promotional items were distributed to consumers resulting in the familiarization of the company's conservation program and the method of contact. The signage for the grill was designed and paid for in 2001. The expense was allocated as 91% conservation and 9% for propane accounts based on customer count. For consistency, the expense for the event sponsorship should have been allocated similarly. Photos of the banner and signage used at this event are provided in Exhibits 1 and 2.

The company recommends that 91% (682.50) of the cost should be expensed to conservation and 9% (\$67.50) of the cost to propane accounts.

Good Cents Signage

4. Six signs were purchased for placement in front of homes that met the Good Cents home standards. The purpose of the signage is to provide exposure to the company's Good Cents Home program. The signage (Exhibit 2) is in compliance with the agreed upon discussion held with PSC staff for advertising and promotional items in November 2001 (refer to the response provided above in item no. 1).

The company recommends \$115.56 should be recoverable through conservation.

Print Campaign

5. In the company's print campaign for the Fernandina Beach division, the primary message was targeted towards educating consumers on having an energy efficient home. The company considers that the expense of \$1,495.00 should have been allocated based the amount of wording specified in the ad. Information contained in the ad provides basic information for the Hearth & Patio store and propane represents about 33% of the copy.

The company recommends that the expense in the amount of \$493.35 not be charged to conservation.

Audit Disclosure No. 2: Conservation Goals

6. The company uses kwh data from its Customer Information System (Orcom) for evaluating and metering of the homes. Documentation of the kwh usage before and after any audit or the certification of a Good Cents home is provided in Orcom. Plans are to provide documented procedures and records maintenance for monitoring and completing the process for program participants.

The company agrees with the auditor's opinion. FPUC recently hired an individual who is capable of developing standard procedures to evaluate and monitor each conservation program.



Exhibit 2

