BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 060002-EG

In the Matter of

ENERGY CONSERVATION COST
RECOVERY CLAUSE.
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| PROCEEDINGS: | HEARING |
| BEFORE: | CHAIRMAN LISA POLAK EDGAR<br>COMMISSIONER J. TERRY DEASON<br>COMMISSIONER ISILIO ARRIAGA<br>COMMISSIONER MATTHEW M. CARTER, II<br>COMMISSIONER KATRINA J. TEW |
| DATE: | Monday, November 6, 2006 |
| TIME: | Commenced at 9:30 a.m. |
| PLACE: | Betty Easley Conference Center<br>Room 148<br>4075 Esplanade Way<br>Tallahassee, Florida |
| REPORTED BY: | JANE FAUROT, RPR<br>Official FPSC Reporter<br>(850) 413-6732 |

APPEARANCES:

LEE L. WILLIS, ESQUIRE and JAMES D. BEASLEY, ESQUIRE, Ausley Law Firm, P.O. Box 391, Tallahassee, 32302, appearing on behalf of Tampa Electric Company.

JEFFREY STONE, ESQUIRE, RUSSELL BADDERS, ESQUIRE, BEGGS & LANE LAW FIRM, P.O. BOX 12950, Pensacola, Florida 32591-2950, appearing on behalf of Gulf Power Company.

JOHN W. MCWHIRTER, JR., ESQUIRE, c/o McWhirter Law Firm, 400 North Tampa Street, Suite 2450, Tampa, Florida 33602, appearing on behalf of Florida Industrial Power Users Group.

JOHN BUTLER, ESQUIRE, and BRYAN ANDERSON, ESQUIRE, Florida Power & Light Company, 700 Universe Blvd., Juno Beach, Florida 33408-0420, appearing on behalf of Florida Power & Light Company.

NORMAN H. HORTON, JR., ESQUIRE, Messer Caparello & Self, P.A., P.O. Box 15579, Tallahassee, Florida 32317, appearing on behalf of Florida Public Utilities Company.

HAROLD McLEAN, PUBLIC COUNSEL, CHARLIE BECK, ESQUIRE, PATTY CHRISTENSEN, ESQUIRE, and JOE MCGLOTHLIN, ESQUIRE, Office of Public Counsel, c/o The Florida Legislature, 111 W. Madison St., #812, Tallahassee, Florida 32399-1400, appearing on behalf of the Citizens of the State of Florida.

APPEARANCES (continued):

JOHN T. BURNETT, Progress Energy Service Co., LLC, P. O. Box 14042, St. Petersburg, Florida 33733-4042, appearing on behalf of Progress Energy Florida, Inc.

KATHERINE FLEMING, ESQUIRE, FPSC General Counsel's Office, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, appearing on behalf of the Commission Staff.

# I N D E X

## WITNESSES

EXHIBITS

| NUMBER: | | ID. | ADMTD. |
|---|---|---|---|
| 1 | Comprehensive Stipulated Exhibit List | 97 | 97 |
| 2 | KG-1 | 97 | 97 |
| 3 | KG-2 | 97 | 97 |
| 4 | MSS-1 | 97 | 97 |
| 5 | MSS-2 | 97 | 97 |
| 6 | WDE-1 | 97 | 97 |
| 7 | WDE-2 | 97 | 97 |
| 8 | JAM-1T | 97 | 97 |
| 9 | JAM-1P | 97 | 97 |
| 10 | HTB-1 | 97 | 97 |
| 11 | HTB-2 | 97 | 97 |

P R O C E E D I N G S

CHAIRMAN EDGAR: Good morning. Call this hearing, hearings to order. I appreciate your patience. We have a lot of paper to get organized this morning.

And I will begin by asking our staff to read the notice.

MS. FLEMING: Pursuant to notice and supplemental notice, this time and place have been set for a hearing in the following dockets: 060003-GU, 060004-GU, 060002-EG, 060007-EI, 060001-EI, 060362-EI, and 041291-EI.

CHAIRMAN EDGAR: Thank you. Okay. We'll move on next and take appearances to get us in the proper posture. And I am going to ask you to go kind of slowly so that I can make sure I've got the order. And also, if you would, please, obviously identify the company that you're representing and the docket numbers that you will be participating in. And we'll begin to my left.

MR. BUTLER: Thank you, Madam Chairman.

John Butler and Bryan Anderson of Florida Power and Light Company appearing in Dockets 060002, 060007, 060001, 060362, and 041291.

CHAIRMAN EDGAR: Thank you.

MR. HORTON: Good morning. Norman H. Horton, Jr., appearing for Florida Public Utilities Company in the 01, 02, 03, and 04 dockets.

CHAIRMAN EDGAR: Thank you.

MR. BURNETT: Good morning, Madam Chairman. John Burnett on behalf of Progress Energy Florida appearing in the 01 and 02 dockets. I also have Gary Perko appearing in the 07 docket on behalf of Progress Energy Florida.

MR. BEASLEY: Good morning. James D. Beasley and Lee L. Willis of the law firm of Ausley and McMullen representing Tampa Electric Company in the 01, 02, and 07 dockets.

MR. STONE: Good morning. Jeffrey A. Stone, and with me is Russell A. Badders and Steven R. Griffin of the law firm Beggs and Lane. We represent Gulf Power Company in the 02, 07, and 01 dockets.

MS. KEATING: Good morning. Beth Keating, Akerman Senterfitt. I'm here this morning on behalf of Florida City Gas in the 03 docket, and Florida City Gas and Chesapeake Utilities in the 04 docket.

MR. BECK: Good morning, Madam Chairman. My name is Charlie Beck with the Office of Public Counsel. I'd also like to make appearances for Harold McLean, Public Counsel, as well as Joe McGlothlin and Patty Christensen. We're appearing on behalf of the Citizens of Florida in the 01, 02, 03, 0362, and 07 dockets.

MR. WRIGHT: Good morning, Madam Chairman and Commissioners. I'm Schef Wright, and I would also like to

enter an appearance for my partner John T. LaVia, III, as reflected in the prehearing orders. We are appearing on behalf of the Florida Retail Federation in the 060001 docket, 060362 docket, and 060007 docket. Thank you.

CAPTAIN WILLIAMS: Good morning. I'm Captain Damund Williams, and I'm here representing the Federal Executive Agencies in the 01 docket.

MR. McWHIRTER: My name is John McWhirter. I'm appearing on behalf of the Florida Industrial Power Users Group, and we have intervened in the 01 docket, the 02 docket, the 07 docket, and the 0362 docket.

MR. TWOMEY: Madam Chair, Commissioners, good morning. Mike Twomey on behalf of AARP. AARP has intervened in the 01 docket as well as the 362 docket. Thank you.

MR. SHREVE: Good morning. Jack Shreve appearing on behalf of Attorney General Charlie Crist, appearing in the 060362 docket. I would also like to enter an appearance for Cecilia Bradley.

CHAIRMAN EDGAR: Thank you. Is there anybody else? No. All right. Thank you very much.

MR. KEATING: Chairman Edgar, I believe the Staff Counsel should make appearances, but we were waiting to make sure there was no one else in the audience.

CHAIRMAN EDGAR: Mr. Keating.

MR. KEATING: Cochran Keating on behalf of the

Commission in the 01, 0362, and 041291 dockets.

MS. BROWN: Martha Carter Brown on behalf of the Commission in the 07 docket.

MS. FLEMING: Katherine Fleming on behalf of the Commission in the 02, 03, and 04 dockets.

MS. BENNETT: Lisa Bennett appearing on behalf of the Public Service Commission in the 01, 362, and 041291 dockets.

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CHAIRMAN EDGAR: Then we have concluded the hearing for the 04 docket and we'll be moving on to the 02 docket in about 30 seconds.

Ms. Fleming.

MS. FLEMING: There are proposed stipulations on all issues and all witnesses are excused.

CHAIRMAN EDGAR: Okay. My understanding is that we do have opening statements on this issue, or excuse me, on this docket?

MS. FLEMING: That's correct, Chairman. Each party has prepared a brief presentation on their DSM programs pursuant to the prehearing order. Opening statements are limited to ten minutes per party.

MR. ANDERSON: Good morning, Commissioner Edgar.

CHAIRMAN EDGAR: Good morning.

MR. ANDERSON: Good morning, Commissioners. Bryan Anderson appearing for Florida Power and Light Company.

It's my pleasure this morning to introduce to you Mr. Dennis Brandt, Director of Product Management, Florida Power and Light Company. He will be giving you a presentation entitled Florida Power and Light Company's Commitment to Demand-side Management. Copies of the presentation slides are before you and have been made available to the public, the parties, and other counsel.

Mr. Brandt.

MR. BRANDT: Commissioners, thank you for letting me present to you today FPL's accomplishments in the areas of demand-side management, or DSM. It seems lately there's concerned across the U.S. about soaring fuel prices, concerns about the reliability of utility systems, and an increased focus on the environment has all called for a renewed interest in energy efficiency.

While there may be a need for reinvigoration in some states, I think you will find that in Florida demand-side management has been the focus for the last two decades and will continue to be in the future. My focus today will be on FPL's programs and load management conservation. Both of these areas are key in avoiding the construction of additional power plants.

If I can ask you to move to the second slide, please. To help put FPL's performance in perspective, FPL serves approximately 3 percent of the total consumers in the United

States. If you look at the amount of conservation done in the U.S., FPL has done about 13 percent of the total. When you prorate this based on the number of consumers, FPL has done approximately four times more than you would normally expect. In the area of load management, FPL has 6 percent of the capability, or two times more than would be appropriate based on the number of consumers.

If you look at Slide 3, please. In the area of conservation, the gold bar shows how FPL stacks up against all the utilities in the U.S. based on cumulative demand reduction from conservation activities. This graph, which is based on data from the Department of Energy for 2005, shows that FPL is ranked number one in the United States.

Slide Number 4 addresses the area of load management. In load management, FPL is a leader, but in this case being number one isn't necessarily what you want to be. Only so much load management is usable on a utility's electric system. Based on our analysis, FPL is very close to having the ultimate amount of load management that can be used on FPL's system, so being number 4 right now is probably about where we ought to be based on our current customer base and load shapes.

Moving on to Slide Number 5. Slide Number 5 is a summary of FPL's DSM activities. FPL has been very successful in getting our customers to participate in our programs. Over 2.4 million residential and business customers have had energy

surveys. Over one million high-efficiency air conditioners have been installed in residential customers' homes through our HVAC program. Our residential load control program is the largest in the United States with 733,000 participants.

Moving on to our business customers, our lighting program has replaced 10 million bulbs with high-efficiency light bulbs over time. As you can see, we have done about 50 megawatts of efficiency improvements on business customers building envelopes.

FPL's implementation has avoided the need for ten medium power plants. If you think about the cumulative impact of FPL's DSM programs, we have reduced the summer system peak equivalent to over 1,100,000 homes.

The next slide shows FPL's expenditures over time. FPL's DSM efforts have been funded at a consistent level over the last ten years. The largest contributor to DSM expenses is incentives paid to our program participants. We want to always increase the cost-effectiveness of our DSM programs. Changes year-to-year are really, as I said, driven by incentives. In fact, in the last several years we have been running a pilot with reduced incentives for our residential load control program. We still have been able to reach optimal participation in this program while saving over $9 million in incentives. You see an increase in our program expenditures for 2007. As you will see in the next few slides we are

substantially increasing our efforts over the next several years.

Slide 7 shows some of the things we think have been the keys to our success. First off, cost-effective DSM is always given first priority to defer new capacity as part of our integrated resource planning process. Cost-effectiveness and the proper ways to calculate it is critical. The tests that are used in Florida ensure that from a total system perspective, rates to all of our customers are as low as possible. Not only does this promote economic growth, it also makes electricity affordable to all of our customers.

Our continued focus over the last two decades has resulted in multiple programs that deliver programs to all of our customers and have evolved over time. Lastly, the encouragement and rules and support of the Commission have been a true help in making our success.

In Slide 8 I just want to talk a little bit about what we are doing today. In 2006, FPL performed a complete review of our DSM programs, as well as looked at other technologies that weren't in our programs currently, but potentially might be. The result of this review was basically a complete overhaul of our program which was recently approved by the Commission. Nine of our programs had new incentive levels and 11 new technologies were added.

In addition, we added two new programs to our

business customers that address refrigeration and water heating. The impact of this redesign can be seen on the graph. The gold bar represents our prior plan based on our 2005 to 2014 DSM goals. The blue bars are our revised plan resulting from this current redesign. By 2014, we'll be adding 1,447 more megawatts of DSM, which is a 564-megawatt increase over our prior plan.

Slide 10 is a summary of our residential programs. As you can see from this slide, we have a comprehensive set of programs for our residential customers. These programs address both retrofit and the new home construction market. Our residential customers can take advantage of incentive programs that promote high-efficiency air conditioners, repair to leaky duct work, upgrades to ceiling and roof insulation, and special programs targeted to low income customers. In the appendix, there is more detail on which technologies are included in each of these programs.

Slide 10 are the programs for our business customers. Once again, we offer programs that address all major end uses for a broad group of our customers. Our programs help customers upgrade their entire facility, including air conditioning, insulation, window treatment, refrigeration, and water heating. There is even a program to address those one off (phonetic) custom conservation measures that our customers could come up with that are unique that aren't currently

addressed by one of our other programs.

Let me finish up on Slide 11 by pointing out that at FPL we need to constantly refresh our DSM programs. We have a balanced product development process that ensures we launch programs that are successful. The bottom line -- and the time line at the bottom, I'm sorry, show that the products that we have been looking at or are currently evaluating. We think this process has worked very well for us.

In summary, DSM isn't anything new at FPL. We have been at it for over two decades and our results have created significant benefits for our customers through the avoidance of power plants and the lowest rates possible for our customers by using only cost-effective DSM.

Thank you for your time today.

CHAIRMAN EDGAR: Thank you.

Commissioners, are there any questions for FPL at this time? Okay. We will move on to the next opening statement.

MR. HORTON: Thank you, Commissioners. On behalf of Florida Public Utilities, I would like to introduce Mr. John Costlow who will be making the presentation.

MR. COSTLOW: Good morning, Commissioners. My name is John Costlow. I'm with Florida Public Utilities. Basically, our program and the presentation handout in front of you provides a brief overview of Florida Public Utilities'

electric demand-side management plan. The company's DSM program has five residential programs: The geothermal heat pump, the GoodCents Home Star program, the GoodCents Energy Survey program, the residential heating and cooling efficiency upgrade program, and the residential ceiling insulation upgrade program. On the commercial side we have the GoodCents commercial building program, the GoodCents commercial technical assistance audit program, the commercial indoor efficient lighting rebate program. The DSM plan also provides for energy education programs and a conservation demonstration and development program.

On Page 3 you will find a brief overview of the program. Florida Public Utilities' 2005 demand-side management plan continues the company's history of developing and providing programs that focus on delivering customer value on energy purchases. Since implementation of the GoodCents residential and commercial programs, Florida Public Utilities has been active in promoting and educating its customers on the benefits and rewards of energy efficiency.

Florida Public Utilities Company exceeded its overall demand and annual consumption goals in 2005 and is on track to exceeding these goals again in 2006. The company anticipates filing an updated DSM program in the first quarter of 2007 that accounts for the changes in the Florida Building Code, the Environmental Protection Agency Appliance Efficiency Standards,

green building and changes in the marketplace since the last filing in 2005. The current demand-side management plan provides a balanced portfolio of programs aimed at all segments of the marketplace.

On Page 4 you will find the geothermal heat pump program. The objective of this program is to reduce the demand in energy requirements of new and existing residential customers. The program is designed to overcome market barriers, specifically a lack of consumer awareness, knowledge and acceptance of the technology. The program offers customers a heating and cooling cost guarantee, a $500 rebate, and an economic analysis.

The geothermal heat pump must meet a minimum efficiency rating of 13 EER and the average summer demand reduction is 1.45 kW. The average annual net reduction is 2,012 kW measured at the meter per participant in the program. The GoodCents home program has long been the standard, on Page 5, for northwest Florida. The GoodCents standards provide guidance concerning energy efficiency in new construction by promoting energy efficient home construction techniques and by evaluating the energy efficient components of design and construction practices. As an incentive to the contractor of a GoodCents ENERGY STAR® qualified home, he has provided a permit box, a yard sign, conservation marketing assistance, energy and duct calculations. The GoodCents home standard continues to

exceed the minimum efficiency standards for new construction as set forth by the Florida Model Energy Code. The average GoodCents home constructed in northwest Florida today achieves a .5 kW demand reduction in the summer, a .9 kW demand reduction in the winter, and a 929 kW annual energy reduction.

The next program is the GoodCents energy survey. The objective of the survey is to provide customers with energy advice. One of the most effective means in educating and communicating the value of energy conservation is through the GoodCents energy survey. The GoodCents energy survey focuses on increasing awareness and understanding factors that influence energy purchases like the home's thermal envelope, energy intensive equipment, and the household's lifestyle.

During the survey process, the customer is provided with specific wholehouse recommendations. If a problem is identified, recommendations are made for further analysis and/or repair. For a typical northwest Florida home, it is estimated that the GoodCents energy survey program yields an approximate reduction in demand of .1 kW per customer and an energy reduction of 211 kilowatt hours per customer on an annualized basis.

The heating and cooling efficiency upgrade program shown on Page 7 is directed at reducing the growth in peak demand in energy throughout Florida Public Utilities Company service territory created by comfort cooling equipment. The

program accomplishes this through an increase in the saturation of high-efficiency heat pumps.

Two types of equipment replacements are considered in single-family dwellings. Type 1, which is where a high-efficiency heat pump is replacing an electric resistance heat type system, and Type 2 is where a high-efficiency heat pump replaces a lower efficiency heat pump. Both Type 1 and Type 2 changes yield an approximate average reduction in summer peak demand of .5 kW per participant, while the energy savings for a Type 1 change are estimated at 1800-kilowatt hours per participant per year, and a Type 2 change of 900-kilowatt hours per participant per year.

On Page 8 you'll find the ceiling insulation upgrade program. The purpose of this program is to reduce peak demand and energy consumption by decreasing the load presented by residential air conditioning and heating equipment. This program requires that residential customers add at least R11 of ceiling insulation. By doing so, either them or their contractor will qualify for an incentive of $100. The total resulting R values achieved by adding R11 to the existing insulation range from R30 to R38. Based on a residential building energy program analysis, for a typical northwest Florida home it is estimated that the residential ceiling insulation upgrade program yields an approximate average reduction in summer peak demand of .4 kW per participant and an

average annual reduction of 1,216-kilowatt hours per participant.

On Page 9 starts the commercial segment. You will find the GoodCents Commercial Energy Building Program. The commercial market is comprised of a wide range of diverse businesses with variable size and operational characteristics. The success of the GoodCents Commercial Building Program lies in its ability to address this diversity by focussing on the common characteristics of commercial buildings. The program's design is sufficiently flexible to allow an architect or designer to use initiative and ingenuity to achieve the results that are meaningful. The prescriptive envelope provides architects, designers, and building owners a menu of items available for GoodCents building certification.

Under this program, a building may also meet GoodCents standards through its thermal performance. The customer must also meet HVAC energy standards and efficiency which are based on unit size and configuration. On the page you will find an example of an analysis conducted on a 4,444 square foot building taken from Florida Public Utilities' 2005 DSM filing.

On Page 10 you will find the Technical Assistance Audit Program. The GoodCents Technical Assistance Audit Program is an interactive program that assists commercial customers in identifying advanced energy conservation

opportunities? It is customized to meet the individual needs of large customers as required and, therefore, it's an evolving program. The technical assistance audit process consists of an on-site review of the customer's facility operation, equipment, and energy usage patterns, all areas of potential reduction in demand and consumption as well as identifying end use technology opportunities. A technical evaluation is performed to determine the economic payback and lifecycle costs for various improvements to the facility.

Florida Public Utilities Company provides questline services, an outreach mechanism that delivers one-on-one technical and business oriented information to FPU's commercial customers. Florida Public Utilities, on Page 11, also offers a commercial lighting rebate. The commercial lighting load represents a significant portion of commercial customers' electric bills. That load is also on during Florida Public Utility Company's peak period. The purpose of the commercial indoor efficient lighting rebate program is to reduce the peak demand. The program requires the customer achieve 1,000 watts of lighting reduction. By doing so, they qualify for a ten cents per kilowatt reduction incentive. By encouraging commercial customers to upgrade and enhance their interior lighting to benefit their businesses and reduce the lighting load commercial customers, Florida Public Utilities, and other ratepayers are benefitting.

On Page 12 you will find the final two programs, and they are a conservation demonstration and development program and Florida Public Utilities' energy education programs. The primary purpose of the conservation demonstration and development program is to pursue research, development, and demonstration products that are designed to promote energy efficiency and conservation. The conservation demonstration and development program is meant to be an umbrella program for the identification, development, demonstration, and evaluation of new and used technologies.

The program does not focus on any specific end use technology, but instead addresses a wide variety of energy applications. The program is designed to facilitate technological research and studies market penetration potentials of various demand-side management measures and their effectiveness in reducing the growth rate of peak sensitive demand and reducing and controlling the growth rate of consumption as well as studies of consumer behavior.

The energy education programs and their goal, and specifically the goal of the low income educational program, is to increase energy efficiency awareness and the benefits of energy conservation for this targeted group. The program identifies low cost and no cost energy conservation measures such as the free residential GoodCents energy survey. By working with local low income agencies, we offer educational

programs to low income customers to better assist these customers in managing their purchases. As an example, Florida Public Utilities Company is currently working with the Marianna Housing Authority Housing Board, the State Housing Initiative Program, and the State Weatherization Program to conduct energy audits. Thank you.

CHAIRMAN EDGAR: Thank you, Mr. Costlow.

Mr. Burnett.

MR. BURNETT: Good morning, again, Commissioners. I would like to introduce Mr. John Masiello, who will be giving our presentation this morning entitled demand-side management past, present, and future.

MR. MASIELLO: Good morning, Madam Chairman and Commissioners. I'm proud to represent Progress Energy on our demand-side management programs. My presentation is a summary of our past, present, and future demand-side management programs and activities.

On the second slide, Progress Energy has a longstanding history with proven performance and execution of DSM programs. Since 1981, our programs have saved enough energy to power the City of Orlando for over two years. Our customers have saved over $750 million, and that savings just from measures that we have provided incentives on. It does not include the additional measures that go on beyond what we provide incentives for.

Customers have saved over 10 billion kilowatt hours. As a result of these efforts, we have 1500 megawatts of demand reduction. That 1500 megawatts of demand reduction has eliminated the need for 17 peaker plants. It also has reduced carbon dioxide by 6.7 million tons. It's the equivalent of taking 91,000 cars off the road per year in terms of the emissions. It would have the same carbon sequestration value of planting over 101,000 acres of trees.

In our load management program, we are in the five top utilities. In fact, as a percent of our peak savings over annual peak load, Progress Energy ranks number one in the nation.

On Page 4, we have in our current plan that was filed in 2004, 429 megawatts. In September we filed to significantly increase our DSM efforts with another 545 megawatts stacked on top. All total on Page 5, by 2014, we will have over 2600 megawatts of demand-side management. That will eliminate 29 peaker plants and provide over 19 percent of our winter peak.

On Page 6, just a brief overview of our program mix. We have both residential and commercial programs. Our residential programs start with the residential energy audit where we have energy experts that go on-site. Customers are able to do it on-line, on phone, or by the mail. We have programs that deal with existing homes, our home retrofit

program, as well as new construction, low-income weatherization, load management. Our home energy check programs are designed to educate and motivate our customers to implement these conservation measures, and we have similar programs on our commercial side, as well.

Our measures in residential will address over 60 percent of a residential energy bill, and likewise for commercial. Customers implementing our programs can save over $322 annually on their bill, and with the expanded measures there is a potential savings for over $565 annually.

On the Home Retrofit Program we have incentives for a high-efficiency heat pump, adding insulation, and repairing duct systems. Duct systems account for close to 30 percent of the loss in heating and cooling and have a significant role in helping to reduce energy consumption.

In terms of our enhancements, we're looking at expanding, significantly expanding what we offer to our customers beyond traditional measures. We are looking at spray-in wall insulation, adding straight AC units, as well, supply and return plenum connections, high-efficiency sizing. It is imperative that equipment be sized properly. Commissioning HVAC systems so that is properly charged and duct work is properly sized. And the list goes on to include even windows.

And a new construction program. We have a successful

program currently. In fact, this year alone we will be certifying over 16,000 new homes. We have certified over 5,000 homes to ENERGY STAR® level, a nationally recognized program, and as a result we have received EPA's recognition two years, both in 2000 and 2004, for our efforts with ENERGY STAR®.

Our load management program on Page 9. We have a five-month program, we have proposed to go to a 12-month program. Currently, there is over, close to 400,000 customers in our program, which represents 28 percent of our total residential population. What is interesting with our recent research, we are now able to integrate with our load management solar water heaters and photovoltaics, so that in the future a customer participating in our load management program can opt to get an incentive of $450 up front to install a solar thermal system on their home. Couple that with the additional incentives from the state, $500, and tax credits federal, that will significantly reduce the installation costs for a new solar thermal system. Solar photovoltaics in schools with load management, that is where our customers can opt to move their incentive and donate their incentive to putting photovoltaics on schools.

Low-income weatherization. We have been successful at integrating our DSM measures with local weatherization assistance providers. Through the past several years, many homes were weatherized with these measures, and many more homes

are able to be done by the agencies because of our efforts. This past March we implemented a pilot in St. Petersburg where we went to a front porch neighborhood designated area and actually piloted canvassing the homes, going door-to-door installing conservation measures, the likes of what you see here.

That program was very successful. The program not only installed measures, but also educated the participants on these measures so that they were sustainable. For example, when they changed an air filter, they demonstrated how to change that air filter and they left them with a box of 12 filters. When they cleaned a refrigerator coil, they demonstrated the coil and how to clean it and they left them a brush to do that. Our goal was to be truly sustainable so they can continue with those efforts.

We have similar programs in our business and our business retrofit, and we are looking at many innovative programs and measures that we just have added. As you can see on the right on Page 11 from the demand control ventilation, which uses intelligent CO2 meters to run ventilation systems, to green roofs which significantly reduce cooling loads, to packaged AC steam cleaning, which is a pilot we had this year that was also very successful.

In commercial new construction, like residential, we have made impacts, major impacts there, and we will continue.

We have expanded our efforts in terms of the measures that we provide, many of which include some of the things I just mentioned, but they then continue to include efficient compressed air systems, occupancy sensors, thermal energy storage, and so forth.

From an educational standpoint, we are, as we speak, implementing a pilot that we expect to be successful. We have developed curriculum for third through fifth graders in Seminole County. At the end of that curriculum there will be a week long energy efficiency curriculum. At the end of that week, students will be taking home an energy audit to conduct on their home to work with their parents. We expect over 8,000 of these audits to come in from just this one school system. Our goal starting next year is to go throughout our service territory with this program.

On the last page, on Page 14, just some program highlights. Our energy, our residential energy efficient programs have saved over 4 percent of the company's annual peak demand in 2005. Among utilities with over 3,000 megawatts of peak demand, this ranks as the second highest among IOUs in the nation. Progress Energy's residential energy efficiency and residential LM programs have saved 11.9 percent of the company's annual peak. Among utilities with over 3,000 megawatts of peak demand, this ranks top in the nation.

Progress Energy's full complement of residential,

commercial, and industrial energy efficiency programs and LM programs have saved approximately 16 percent of the company's annual peak demand in 2005. Among utilities with over 3,000 megawatts of peak demand, this ranks as the fourth highest in the nation among all utilities. But we are not stopping there. We are constantly seeking out new measures and new ways to motivate our customers to save energy.

Thank you.

CHAIRMAN EDGAR: Thank you.

MR. BEASLEY: Good morning, again. James Beasley for Tampa Electric. I would like to call upon Mr. Howard T. Bryant, who is Tampa Electric Company's manager of rates, who will present you an overview. He will be referring to a handout which has been distributed. I have extra copies if anyone in the audience --

MR. BRYANT: Thank you and good morning, Commissioners. I appreciate this opportunity to sit and talk to you about what our focus has been, but, more importantly, what our focus is going to be in the future.

One of the challenges when you are sort of fourth, fifth, or sixth in the line-up is to provide something that's fresh and new and different and not totally be redundant of what the others have said. But nevertheless, some of what has been said is still applicable to Tampa Electric. So let me, if I could, on the second page there talk to you specifically

about what our objectives are as we approach DSM, and these have been our objectives over the couple of decades that you have heard about. And, as a matter of fact, probably since about 1981.

The first objective is to defer generation plant expansion, and to the extent possible, also, defer transmission and distribution. But principally you look at the generation plant expansion deferral. The second is to reduce the marginal fuel cost. If you can reduce marginal fuel cost you can certainly bring down the overall energy cost of that consumer, and that is exactly what we are trying to do there, and we do that through energy conservation. We provide customers, we want to provide customers with some control of their energy use. We believe that if we can get into their houses, into their facilities that there are measures, that there are behavioral patterns that we can educate them on so that when they do continue to utilize their energy they will be doing it in an informed manner and they will be understanding what their choices are and what that impact of those choices will be on their electric bills. And then the fourth is to provide a cost-effective accomplishment of the goals that have been established for our company over the years by this Commission.

The next slide is perhaps a brief outline of what I would like to cover. Some of this I will try to make not too redundant, but nevertheless just a brief history of DSM, our

current program activity, what our accomplishments are, and what our future plans will be. Concerning a brief history on the fourth page, again, it began in 1980 with FEECA legislation. The Commission was challenged or charged, if you will, to adopt state demand and energy goals. The utilities were charged with then developing plans and programs to meet those particular goals. One of the particular components of that legislation was the requirement for the utilities to perform energy audits, and those were done both on the commercial side and certainly on the residential side.

The key factor was customer motivation. How could we get the customers to be motivated now to do energy conservation. And we felt like the best way to do it as well as the other utilities was to begin providing incentives and to begin providing rebates, that that would be the best motivating factor that we could have.

The next page talks about some of those early programs that we had. There were four principle areas. The energy audits as I spoke of, again, both residentially and commercially. There was a heating and cooling rebate program. The air conditioning load in the state of Florida is quite large. Heating load in the state of Florida is quite large, as well, and so we began by looking at a rebate program to begin to reduce that particular type of demand on our system. We also looked at a Building Energy Efficiency Program and

instituted that as well as we had load management from the early '80s right on through. And it began with the residential marketplace.

Moving on to the next slide. Here is an indication of what has happened with our DSM offerings as it relates to the residential folks. You will see some seven programs listed there, but woven between those are actually nine specific residential conservation programs. In terms of energy audits, we have three particular audits that are available to our customers. One is a free audit, one is a more comprehensive audit where we can talk about the specific paybacks that a customer might gain if they were to install certain measures, and then the third one is an on-line audit. Our customers today are on-line, and so we felt like it was necessary to provide an audit on-line to them so that they could audit their home at their discretion. And then from that, we also provide, based on their responses we provide what are the recommendations, what are the measures that they could utilize in their particular homes to help them out with their particular energy usage.

Moving along, we have still the heating/cooling rebate program. We provide incentives for ceiling insulation upgrade, duct repair. You have heard how that is a concern in the state of Florida. Seventy percent of the duct work in the state of Florida leaks. And so if we can provide incentives to

stop those leaks, then we can improve the heating and air conditioning load that's on the system.

We continue with a new home program, we continue with load management, and then we also have a pilot program, price responsive load management, it's a new way of doing load management. And I will touch on that just a little bit later in more detail.

The next slide gives us what our commercial and industrial programs are. There are some eight programs there. Again, the energy audits and the fact that we have two, one is free, one is comprehensive. We have the indoor lighting rebate program, we have commercial cooling for rooftop cooling units. We continue to offer load management, both on a commercial basis and for the larger industrial customers, as well. We also have a standby generator program which is a specific type of load management where a customer when we call on them will transfer their load to on-site emergency generation, and that typically would occur during times of our system peak.

And then last is our conservation value program, which is very site specific. I think Mr. Brandt talked about that in terms of what Power and Light provides, but it's a way to tailor an incentive to a customer at a larger commercial facility so that if they install a particular measure that is very site specific to their case, then we can incent them for being more energy efficient than they otherwise would have. A

typical example of that would be a very large chiller.

The next slide provides some of the other activities that we are associated with or that we have associated with our DSM activities. The first would be cogeneration from a cogeneration perspective. We have firm contracts, we also purchase as-available energy. And as a side note, we have recently negotiated with the City of Tampa for a 3.5 megawatt renewable contract, which was a very successful negotiation, and it was amiable to both parties.

We also want to continue being engaged in R&D. We have done that for a number of years, we think you need to continue doing that. Some of the activities that we have been engaged in have been the removal of humidity from commercial facilities, and we have done that through a couple of different measures, and we now have those available on site-specific applications back through our conservation value program. We also have investigated microturbine as a distributed generation application and also ground source heat pump for water heating.

The fourth, or I say the fourth, the third bullet there is the renewable energy pilot program that we have. Currently before you is a petition seeking the permanency of that particular program. It will be self-sustaining, which is what we have hoped to achieve and we have now accomplished that, and so you should be seeing the results of that here shortly.

The next slide talks about some of the accomplishments that our company has seen in the area of DSM. Since 1981, goals have been established for the utilities of Florida. Sometimes they have been activity based, sometimes and more recently they have been demand and energy based, and Tampa Electric has accomplished its goals that have been prescribed on all periods except one. We typically have met them at 100 to 150 percent of the established goal.

On a cumulative basis in terms of the savings that we have seen, our summer demand savings has been some 260 megawatts. The winter demand is some 740 megawatts. We initially attacked the winter heating load that was on our system, and we did that again through the heating/cooling program with rebates, and so that is why you see the significance of that number there. The accumulated annual energy that we have seen is almost 7800 gigawatt hours, a very significant number, and the expenditures to date have been some $385 million.

Well, what are our future plans? What do we plan to do going forward? Certainly we want to continue promoting cost-effective DSM. We employ a comprehensive bilingual approach to promote our programs, some of the more traditional methods would be the television, radio and newspaper, billboards, things of that future, but also we look at partnerships, partnerships with low-income agencies, so that we

can help all segments of the customers within our service territory. We also provide training for the auditors that are a part of these agencies to help them understand as well what they can do as they are seeing those particular customers, as well.

And then special venues. Those would include home shows, those would include energy expos. The home shows, you can talk to your residential marketplace. At the energy expos, you typically reach your commercial folks. You typically can reach consultants, those types of folks, and make them aware of what our offerings are. I have included on the back of the handout some of the examples of the promotional items that we use and some of the advertising pieces.

On the next page I continue with some of the future plans that we have. We think it's key to continue energy audits. Energy audits are the backbone of how we can get into a customer's facility or home, how we can educate them on the consumption of their energy, and how we can change some of those behavioral patterns that I talked about previously. So that continues to be the champion, if you will, of our cause. Other activities that we engage in, there is an annual review of the effectiveness of the programs. We want to know if the incentive or rebate levels are adequate. We want to know if there is advertising and promoting that is reaching the audience. We want to know if the delivery of the program is

the right way to deliver it. At the same time you want to minimize costs while you are maximizing your savings. And that process that we do that evaluation on occurs the first half of every year.

We think it's important to continue the search for new technologies. And recently across the state, certainly across the nation has been an increased interest in demand response. There has been an increased interest in variable pricing type activities and offerings, and so we believe that we are going to bring before you here shortly a petition for the approval of the permanency of the pilot program I spoke of earlier, which is residential price responsive load management.

In terms of R&D, as I said earlier, we continue to do that, but I think one of the key things that is happening right now, and it shows a collaborative effort, the four IOUs, the major IOUs, if you will, are engaging with the Florida Solar Energy Center on three specific technologies to help in the residential marketplace. And so we are looking forward to what those activities can share and provide for us.

The last slide is the price responsive load management that I have spoken of earlier. The first thing about price responsive load management is the fact that it gives customers a choice. If we can provide that customer with pricing signals and allow them to make a choice on when they want to use that energy, and if those pricing signals will

match up at times of our system demand, then not only will they benefit by lowering their energy costs, but we will benefit as well because the demand on our system will be decreased at those critical times. So that's one of the great positives that we have.

As we have worked through our pilot project there has been great promise shown by that project. There is significant demand reduction that is occurring during our system peaks, but at the same time the customers are seeing some energy savings, as well. And, again, we anticipate filing for permanency sometime in early 2007. Initially it will be a residential offering, but it also shows promise in the small commercial sector, as well.

I think those conclude my comments, and I appreciate the opportunity here to address the Commission on what our future plans are.

CHAIRMAN EDGAR: Thank you, Mr. Bryant.

Mr. Badders.

MR. BADDERS: Good morning, Commissioners. Russell Badders on behalf of Gulf Power Company. I have the pleasure of introducing David Eggart with Gulf Power Company. He will give a brief overview of our conservation efforts thus far.

MR. EGGART: Good morning. I'd like to speak with you for a few minutes on Gulf Power's commitment to demand-side management and conservation.

Gulf Power Company has a long history of developing and providing programs that focus on delivering value to the customers who purchase energy from us. Since 1976, with the implementation of the GoodCents Home Program, Gulf Power has been a leader in promoting and educating customers on the benefits and rewards of energy efficiency. Today those benefits and rewards are most apparent in the award winning GoodCents Select Home Program, the first and most successful price responsive load management program anywhere.

GoodCents Select is an excellent example of Gulf Power's philosophy on demand-side management and conservation. We believe that our program should enhance the value customers receive from the purchase of electricity. We believe in providing customer-pleasing cost-effective services and programs, and we believe we should educate and assist customers in making good economic energy choices.

Before we can talk about where we are or where we are headed, I believe it's important to take a look at where we have been. Doing so will help us better us understand the circumstances and events that help formulate today's strategies. Since 1981, we have achieved considerable success in terms of energy and demand savings; 165 gigawatt hours saved, 297 megawatts of avoided summer peak capacity, and 336 megawatts of avoided winter capacity. And in this 20-plus year time period, we have undergone somewhat of what I like to

refer to as an evolution in efficiency. While the objective remains the same, energy and demand savings, the market has changed. And with that change, the methods employed to meet those objectives must change in order to keep pace.

When I was a residential energy consultant in the early 1980s, I could make recommendations to a customer in construction practices when building a new home that could bring about a 50 percent reduction in energy conservation, energy consumption. This gain in efficiency was attributable to improvements in the thermal efficiency of the home and the use of high-efficiency heating and cooling equipment. Then, in 1986, with the implementation of the Florida Model Energy Code, significant improvements in construction practices were brought forth. And while I could no longer offer customers a 50 percent reduction over minimum property standards, the code was very good for the state of Florida because it made sure that all customers were building energy efficient homes. Another key item from the 1980s was the energy conservation cost-recovery clause, which has been a valuable tool for us in helping fund conservation activities.

Now I'm going to fast forward for just a second now, but I'm not skipping the 1990s. In fact, we often refer to the '90s as the decade of research. As you will see in a moment, the foundation for much that we do today was researched and developed in the 1990s.

In the period of 2000 to 2005, we achieved 102 megawatts of summer peak reduction. That represents 34 percent of the total reduction achieved since 1981. So in the last six years, a period that represents 25 percent of that time period, we have been able to accomplish 34 percent of our total reduction. How could we do that well in a time period when construction practices have changed such that the gap between an efficient home and a minimum property standards home has been narrowed? We do that with innovative rate options, like GoodCents Select, realtime pricing, and efficient technologies like geothermal heat pumps. We have seen a shift in methods which is part of this evolutionary process.

While we will always advocate thermal and equipment efficiency, today we place a tremendous emphasis on new and innovative programs, programs like realtime pricing. Piloted in 1995 during that decade of research, the realtime pricing program was granted permanency in 1999. We currently have 22 large commercial and industrial customers on it. They receive day-ahead prices, and those customers choose the level of demand response that they feel is appropriate for their needs. Some of these customers respond as much as ten megawatts. This program is cost-effective based on a RIM test.

Our flagship residential program, GoodCents Select, consists of three elements; a communications gateway, a programmable thermostat, and an innovative rate that enables

customers to choose the time of day that they purchase -- excuse me, the price they pay for electricity as the price changes throughout the day. It also allows customers to automatically respond to changing price signals. This program is often referred to as critical peak pricing. It, too, was researched in the early 1990s, and we currently have 7,600 residential customers making it the largest price responsive load management program in the country. When we enter into a period of high demand for electricity we can issue a critical price signal and customers then choose the level of response that they would like to partake. These 7,600 customers have achieved a total measured demand response of 13 megawatts. This program is cost-effective, as well.

GoodCents Select offers customers choice and control over their energy purchases. Customers want this choice and control and it makes them happy. Research has shown that participation in GoodCents Select actually increases their overall satisfaction with Gulf Power Company.

We also offer technologies like geothermal heat pumps. Customers can safe 30 to 50 percent on their HVAC energy costs and we receive very good demand savings from this program, as well.

Next slide. Our experience has helped us formulate this strategy for today and in the years to come. We will promote cost-effective demand-side management and conservation

programs. We will focus on the customer and listen to customer needs and expectations. We will offer programs that customers see value in, things like choice and control. By focussing on customer needs and expectations, we can develop and deliver programs that have a greater chance of success because they bring value to the customer. That's important because customer response will ultimately be the determining factor in any new idea or product regardless of the demand or energy savings potential. If I could offer a program that could double or triple our savings yet customers saw no value in it, they would not participate and our overall success would be zero.

So what does the future of demand-side management and conservation look like at Gulf Power Company? We will continue our commitment to the principles of cost-effective demand-side management. We are currently reviewing our 2005 demand-side management program. We are taking an inward look to determine what else can be done in this area and we will strive for continuous improvement. Gulf Power has long been a national leader in energy efficiency, and we will continue to explore new and innovative concepts that lead to customer pleasing technologies and programs.

We believe that if we do these things we will continue to get results like we saw in 2005 where we achieved substantial savings in demand and energy and had very satisfied customers.

Thank you for your time.

CHAIRMAN EDGAR: Thank you, Mr. Eggart. Are there any other parties to this docket that would like to participate in the opportunity to make an opening statement? Seeing none.

Commissioners, questions?

Commissioner Arriaga.

COMMISSIONER ARRIAGA: Madam Chairman, Commissioners, I want to thank you so much for the patience you have had in listening to these presentations, which I had a little bit of request that they be made today because I wanted to go a little deeper into what is going on in demand-side management. So I appreciate the time that you have taken to listen, and at the same time I want to congratulate you all because of the efforts you are making and you seem to all be very proud of what you are doing.

I am probably going to ask you two or three questions that will bring the red light into your heads, so I want to do a disclaimer right now. The questions are for the purpose of educating me, and probably educating all of us. They do not represent what I think. I'm trying to find out where we should go regarding demand-side management.

I wanted to let you know also that I have asked our executive director to review with staff what we are doing in demand-side management and the process we use to approve the programs you present. Basically, because I'm trying to compile

what are the savings we are getting from each one of your individual efforts which, as I said, are commendable. But if we put all of these efforts together we may come up with a figure of savings that we can showcase nationwide, or at least compare ourselves in the state of Florida to what is going on in other states and how good we are doing in our efforts. It is a way of benchmarking ourselves to see if we are really doing what we should be doing.

So, again, I've got two or three questions. Don't go jumping upside down, saying, oh, Commissioner Arriaga went crazy. No. I am just trying to educate myself, okay? So help me out in the process.

The first to staff. Give me the chronological order and the process that we follow. When was the last programs approved? When they were approved and when are we going to review these as a Commission again, or do they come to us individually and sporadically?

MR. COLSON: The last programs was approved in 2004. They are approved every five years. They will come back and they will be reviewed every five years to be approved.

COMMISSIONER ARRIAGA: So in between 2004 and the next five years, how are we going to be looking at what has been done, or what is being done, or what is going to be done into the future?

MR. COLSON: We review the demand-side plans every

year in this process. They come in to approve the expenditures that they spend on their program. They send a report every year in the FEECA report as a summary of how they are doing on their conservation goals. So every year we review that in terms of their report. We look at the expenditures, we audit expenditures, so it's a yearly process.

COMMISSIONER ARRIAGA: Would you allow me to continue that line of questions? Thank you so much.

I had the privilege of participating in this hearing last year, and this was stipulated last year, and stipulated again this year, so we Commissioners didn't have a chance to listen to the wonderful presentations we had today. Is there a way that we can move up, if the Commission so desires, this evaluation in a more dedicated hearing or process to specifically energy efficiency and conservation rather than getting it stuck in all of this huge amount of paperwork that we have in front of us? In other words, can we dedicate, is it out of place, out of order to dedicate some specific time to evaluating this before 2009?

MR. COLSON: Well, in the Ten-Year Site Plan there's a review also of demand-side management. And I think that is probably a very good forum to individually ask each utility to come in and give a report, and that would be in the Ten-Year Site Plan.

COMMISSIONER ARRIAGA: So we have other opportunities

besides the five year lapse, or the fuel adjustment and environmental adjustment and all of that stuff that we do, right?

MR. COLSON: Yes.

COMMISSIONER ARRIAGA: Okay, good. I have noticed -- again, please, this is for my education purposes only, because, as I said, I commend you for what you are doing. This is absolutely magnificent. I am so glad. We are going to try to try to compile it and put it together so that we can all see the amount of savings and all of that. But all of you have said cost-effective DSM. I'm all for that. Very important, no question about it.

Now, does that mean that if it is not cost-effective DSM has no value? Can somebody answer that for me. The question is if it is not cost-effective, because all of you have said cost-effective DSM, so where do the lines cross? When does it stop having value to do DSM?

MR. BRANDT: I will try to answer that for you. I guess the concern when you do DSM that is not cost-effective, at the end of the day somebody has got to pay. And to the extent that you do noncost-effective DSM, in a sense rates go up for everybody. So, you know, one of our concerns of that area is trying to make sure our electricity is affordable to everybody as possible, especially, for instance, low-income customers. So if you do noncost-effective DSM, at the end of

the day they are probably going to have to pay for it, and that is, I think, one of the concerns we have.

COMMISSIONER ARRIAGA: The general public you mean, the general ratepayer?

MR. BRANDT: Yes, sir.

COMMISSIONER ARRIAGA: So is it farfetched to think that those who consume more should pay more? In other words, if there is a program that is not cost-effective, but needs to be done, should those ratepayers that consume 2,000 megawatts or kilowatt hours per month, shouldn't they pay a little more than the guy that consumes 800?

MR. BRANDT: Well, in fact, they do through the ECCR clause. It is simplistically based on your usage, so the more you use the more you contribute to the clause, which means that since you are paying more for the conservation activities that are being done.

COMMISSIONER ARRIAGA: I'm still not clear. I'm sorry, but what I see is a constraint. The constraint here is DSM, even though it has a societal value -- and this is another word that will raise red flags all over. Please, you know, I'm just trying, as I said, and I'm very emphatic on this because I don't want to be taken out of context or misquoted. It happened already last week, and I don't want it to happen again. I'm just trying to educate myself.

So even though DSM has a societal value,

cost-effectiveness is the restraint on that societal value?

MR. BRANDT: I don't know if I would say it is a restraint. I think it has been a good practice that we have practiced here in Florida. I mean, if you compare us to some other states who have used other tests other than the ones we use for cost-effectiveness, you know, rates have gone up substantially.

COMMISSIONER ARRIAGA: California, for example?

MR. BRANDT: I'm sorry?

COMMISSIONER ARRIAGA: California, for example?

MR. BRANDT: Yes, sir, that's a good example. So, you know, that is our concern is making sure, you know, our rates are cost-effective and we still do DSM. And I think, you know, as you earlier mentioned, if you look at what all the utilities in Florida have done, you know, I think with the Commission's help we have done a very, very good. I would argue probably the best in the United States. And we haven't had to go down that path of doing noncost-effective or DSM that wasn't cost-effective based on the tests we are using today. So, I think, you know, we have a really great story and we have been able to do it with good business practices behind it.

COMMISSIONER ARRIAGA: And that's one of the reasons why I asked for these presentations to be made today, because I knew all of you had a great story to tell. But what I'm trying to figure out, if our story ends here. Do we have anywhere

else to go, or we just came to the top of the barrel? That this is it; no more water can go into the barrel because it is going to overflow? Is there anything else we can do besides -- and let me give you an idea.

May I, Madam Chairman? I'm sorry that I'm taking your time like this.

CHAIRMAN EDGAR: You may, but we do have a lot to cover over the next three days.

COMMISSIONER ARRIAGA: I know. And I have still got a few more questions, so please bear with me.

Is it possible to think of a program in addition to what we are doing, which is absolutely fantastic, is it possible to evaluate a program that will provide an incentive via rate of return to the utility, to engage you in more DSM programs? And the question is to anybody who can answer it.

Did you understand my question?

CHAIRMAN EDGAR: Commissioner, perhaps if you restate.

COMMISSIONER ARRIAGA: Sure. Is it possible to think of DSM programs that will provide a rate of return to the utility if you would engage in those programs because they are not cost-effective?

MR. BRANDT: I would assume it potentially could be good for the company. I guess the concern would be, once again, customers are going to end up paying for it.

COMMISSIONER ARRIAGA: As I said, I'm only evaluating alternatives and thinking out of the box and this is just for me to learn.

Again, congratulations and thank you so very much for the time you have spent preparing these presentations. I'm extremely proud of what you are doing, and I appreciate what you are doing, and I encourage you to think a little more as to what can be done. I just hope that we haven't stopped searching for new alternatives and new possibilities of engaging in demand-side management. Thank you.

Thank you, Madam Chairman.

CHAIRMAN EDGAR: Commissioners, any other questions or discussion before we move on? No.

Ms. Fleming.

MS. FLEMING: Yes, Chairman. As stated previously, all witnesses have been excused. Therefore, at this time staff recommends that the prefiled testimony of all the witnesses listed on Page 4 be moved into the record as though read.

CHAIRMAN EDGAR: The prefiled testimony will be entered into the record as though read.

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**FLORIDA POWER & LIGHT COMPANY**

**TESTIMONY OF KENNETH GETCHELL**

**DOCKET NO. 060002-EG**

**May 1, 2006**

**Q. Please state your name and business address.**

A. My name is Kenneth Getchell, and my business address is: 9250 West Flagler Street, Miami, Florida 33174.

**Q. Who is your employer and what position do you hold?**

A. I am employed by Florida Power & Light Company (FPL) as a Budget and Regulatory Support Manager.

**Q. What are your responsibilities and duties as a Budget and Regulatory Support Manager?**

A. I am responsible for supervising and assisting in the development of the business unit budget for all functional areas under Customer Service. I supervise and assist support functions related to the Customer Service business unit, Demand Side Management (DSM) and Energy Conservation Cost Recovery (ECCR), including monthly accounting reviews. Also, I supervise and assist in the preparation of regulatory filings and reports related to ECCR, prepare responses to regulatory

inquiries and ensure timely response. I am also responsible for the ECCR Forecast and True-Up.

**Q. What is the purpose of your testimony?**

A. The purposes of my testimony are (1) to present the conservation related revenues and costs associated with FPL's energy conservation programs for the period January 2005 through December 2005, and (2) to present the net overrecovery for the period January 2005 through December 2005 to be carried forward for calculation of FPL's 2007 ECCR factors.

**Q. Have you prepared or had prepared under your supervision and control an exhibit?**

A. Yes. I am sponsoring Exhibit KG-1, which is attached to my testimony and consists of Schedules CT-1 through CT-6 and Appendix A. Appendix A is the documentation required by Rule 25-17.015(5), Florida Administrative Code, regarding specific claims of energy savings in advertisements. While I am sponsoring all of Exhibit KG-1, parts of the exhibit were prepared at my request by Ms. Korel M. Dubin, Manager of Regulatory Affairs, who is available to respond to any questions that the parties or the Commission may have regarding those parts. Exhibit KG-1, Table of Contents, Page 1 of 1, identifies the portions prepared by Ms. Dubin and me.

**Q. What is the actual net true-up amount which FPL is requesting for the January 2005 through December 2005 period?**

A. FPL has calculated and is requesting approval of an overrecovery of $11,521,004 as the actual net true-up amount for that period.

**Q. What is the adjusted net true-up amount which FPL is requesting for the January 2005 through December 2005 period which is to be carried over and refunded in the January 2007 through December 2007 period?**

A. FPL has calculated and is requesting approval of an overrecovery of $5,849,271 as the adjusted net true-up amount for that period. The adjusted net true-up of $5,849,271 is the difference between the actual net true-up of an overrecovery of $11,521,004 and the estimated/actual net true-up of an overrecovery of $5,671,733 approved by the Commission at the November 2005 Hearing, per Order No. PSC-05-1175-FOF-EG. This is shown on Exhibit (KG-1), Schedule CT-2, Page 1 of 5.

**Q. Are all costs listed in Schedule CT-2 attributable to Commission approved programs?**

A. Yes.

**Q. During the January 2005 through December 2005 period, is FPL seeking recovery of any advertising which makes a specific claim of potential energy savings or states appliance efficiency ratings or savings?**

A. Yes. A copy of the advertising, data sources and calculations used to substantiate the savings are included in Appendix A, Pages 1-A through 3-B.

**Q. How did your actual program expenditures for January 2005 through December 2005 compare to the Estimated/Actual presented at the November 2005 Hearing?**

A. At the November 2005 Hearing, total expenditures for January 2005 through December 2005 were estimated to be $148,782,284 (CT-2, Page 1 of 5, Estimate Column, Line 13). The actual expenditures for the period were $144,192,697 (CT-2, Page 1 of 5, Actual Column, Line 13). This represents a period variance of $4,589,587 less than projected. This variance is shown on Schedule CT-2, Page 3 of 5, Line 23 and is explained in Schedule CT-6.

**Q. Was the calculation of the adjusted net true-up amount for the period January 2005 through December 2005 period performed consistently with the prior true-up calculations in this and the predecessor conservation cost recovery dockets?**

A. Yes. FPL's adjusted net true-up was calculated consistent with the methodology set forth in Schedule 1, page 2 of 2 attached to Order No. 10093, dated June 19, 1981. The schedules prepared by Ms. Dubin detail this calculation.

**Q. What was the source of the data used in calculating the actual net true-up amount?**

A. Unless otherwise indicated, the data used in calculating the adjusted net true-up amount are taken from the books and records of FPL. The books and records are kept in the regular course of our business in accordance with generally accepted accounting principles and practices, and provisions of the Uniform System of

Accounts as prescribed by this Commission. As directed in Rule 25-17.015, Florida Administrative Code, Schedules CT-2, Pages 4 and 5 of 5, provide a complete list of all account numbers used for conservation cost recovery during the period January 2005 through December 2005.

**Q. Does that conclude your testimony?**

A. Yes.

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**FLORIDA POWER & LIGHT COMPANY**

**TESTIMONY OF KENNETH GETCHELL**

**DOCKET NO. 060002-EG**

**September 15, 2006**

**Q. Please state your name and business address.**

A. My name is Kenneth Getchell. My business address is 9250 West Flagler Street, Miami, Florida 33174.

**Q. Who is your employer, and what position do you hold?**

A. I am employed by Florida Power & Light Company (FPL) as a Budget and Regulatory Support Manager.

**Q. What are your responsibilities and duties as a Budget and Regulatory Support Manager?**

A. I am responsible for supervising and assisting in the development of the business unit budget for all functional areas under Customer Service. I supervise and assist support functions related to the Customer Service business unit, Demand Side Management (DSM), and Energy Conservation Cost Recovery (ECCR), including monthly accounting reviews. Also, I supervise and assist in the preparation of regulatory filings and reports related to ECCR, prepare responses to regulatory inquiries and ensure timely responses. I am also responsible for the ECCR Forecast and True-Up.

**Q. What is the purpose of your testimony?**

A. The purpose of my testimony is to submit for Commission review and approval the projected ECCR costs to be incurred by FPL during the months of January 2007 through December 2007, as well as the actual/estimated ECCR costs for January 2006 through December 2006, for our DSM programs. I also present the total level of costs FPL seeks to recover through its Conservation Factors during the period January 2007 through December 2007, as well as the Conservation Factors which, when applied to our customers' bills during the period January 2007 through December 2007, will permit the recovery of total ECCR costs.

**Q. Have you prepared or had prepared under your supervision and control an exhibit?**

A. Yes, I am sponsoring Exhibit KG-2, which is attached to my testimony and consists of Schedules C-1 through C-5. While I am sponsoring all of Exhibit KG-2, parts of the exhibit were prepared by Ms. Korel M. Dubin, Manager of Regulatory Affairs, who is available to respond to any questions which the parties or the Commission may have regarding those parts. Exhibit KG-2, Table of Contents, Page 1 of 1, identifies the portion prepared by Ms. Dubin and myself.

**Q. Are all the costs listed in these schedules reasonable, prudent and attributable to programs approved by the Commission ?**

A. Yes.

**Q. Please describe the methods used to derive the program costs for which FPL seeks recovery.**

A. The actual expenditures for the months January 2006 through June 2006 are taken from the books and records of FPL. Expenditures for the months of July 2006 through December 2006, and January 2007 through December 2007 are projections based upon a detailed month-by-month analysis of the expenditures expected for each program at each location within FPL. These projections are developed by each FPL location where costs are incurred and take into consideration not only cost levels but also market penetrations. They have been subjected to FPL's budgeting process and an on-going cost-justification process.

**Q. Does this conclude your testimony?**

A. Yes.

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 060002-EG
DETERMINATION OF CONSERVATION COSTS RECOVERY FACTOR

Direct Testimony of
MARC S. SEAGRAVE

On Behalf of
FLORIDA PUBLIC UTILITIES COMPANY

Q. Please state your name and business address.

A. Marc S. Seagrave: my business address is P.O. Box 3395 West Palm Beach, Florida 33402.

Q. By whom are you employed and in what capacity?

A. I am employed by Florida Public Utilities Company as Director of Marketing and Sales.

Q. What is the purpose of your testimony at this time?

A. To advise the Commission of the actual over/under recovery of the Conservation Program costs for the period January 1, 2005 through December 31, 2005 as compared to the true-up amounts previously reported for that period which were based on eight months actual and four months estimated data.

Q. Please state the actual amount of over/under recovery of Conservation Program costs for the Consolidated Electric Divisions of Florida Public Utilities Company for January 1, 2005 through December 31, 2005.

A. The Company over-recovered $106,997.00 during that period. This amount is substantiated on Schedule CT-3, page 2 of 3, Energy Conservation Adjustment.

Q. How does this amount compare with the estimated true-up amount which was allowed by the Commission during the November 2005 hearing?

A. We had estimated that we would over-recover $122,885.00 as of December 31, 2005.

Q. Have you prepared any exhibits at this time?

A. We have prepared and pre-filled Schedules CT-1, CT-2, CT-3, CT-4, CT-5 and CT-6 (Composite Exhibit MSS-1).

Q. Does this conclude your testimony?

A. Yes.

Testimony Trueup 2005Seagrave.doc

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 060002-EG
DETERMINATION OF CONSERVATION COSTS RECOVERY FACTOR

Direct Testimony of
MARC S. SEAGRAVE
On Behalf of
FLORIDA PUBLIC UTILITIES COMPANY

Q. Please state your name and business address.

A. Marc S. Seagrave: my business address is P.O. Box 3395 West Palm Beach, Florida 33402-3395.

Q. By whom are you employed and in what capacity?

A. I am employed by Florida Public Utilities Company as Director of Marketing and Sales.

Q. What is the purpose of your testimony at this time?

A. To Advise the Commission as to the Conservation Cost Recovery Clause Calculation for the period January, 2007 through December, 2007.

Q. What respectively are the total projected costs for the period January 2007 through December, 2007 in the Consolidated Electric Division?

A. The total projected Conservation Program Costs are $523,000. Please see Schedule C-2, page 2, for the programmatic and functional breakdown of these total costs.

Q. What is the true-up amount to be applied to determine the projected net total costs for the period January, 2006 through December, 2006?

A. As reflected in the "C" Schedules, the true-up

amount for Consolidated Electric Division is $29,808. The amount is based upon seven months actual and five months estimated data.

Q. What are the resulting net total projected conservation costs to be recovered during this period?

A. The net total costs to be recovered are $493,192.

Q. What is the Conservation Adjustment Factor necessary to recover these projected net total costs?

A. The Conservation Adjustment Factor is $.00060 per KWH.

Q. Are there any exhibits that you wish to sponsor in this proceeding?

A. Yes. I wish to sponsor as exhibits for each division Schedules C-1, C-2, C-3, C-4, and C-5 (Composite Prehearing Identification Number MSS-2), which have been filed with this testimony.

Q. How does Florida Public Utilities plan to promote the Commission approved conservation programs to customers?

A. These programs will be promoted through the continued implementation of the company's "Good Cents" branding.

Q. What is the "Good Cents" branding?

A. "Good Cents" is a nationally recognized, licensed energy conservation branding program. This program is fuel neutral by design and has been successfully utilized by approximately 300 electric and natural gas utilities located across 38 states from Maine, to Florida to California and Washington.

Q. How does Florida Public Utilities utilize this branding?

A. Florida public utilities has successfully leveraged the GoodCents marketing by other utilities in northern Florida and southern Georgia since approximately 1980 and has built a high level of awareness within these electric territories. The Company uses the "Good Cents" branding to create an awareness of its energy conservation among consumers, businesses, builders and developers.

Florida Public Utilities will leverage the high visibility brand, well established national image of quality, value and savings, established public awareness, and proven promotional lift (average 11%) to build participation in our residential and commercial energy conservation programs. We will apply the branding strategy to promote activities via broadcast and print media, educational events and collateral

materials. Through this branding, end users and decision makers can readily identify where to obtain energy expertise to assist them with their energy decisions.

Q. Has Florida Public Utilities Company included the estimated cost of the campaign in the projected costs associated with the conservation programs?

A. Yes, the estimated cost of the campaign and services are included in the budget projections for 2007.

Q. Does this conclude your testimony?

A. Yes.

Gulf Power Company

Before the Florida Public Service Commission
Prepared Direct Testimony and Exhibit of
William D. Eggart
Docket No. 060002-EG
May 1, 2006

Q. Will you please state your name, business address, employer and position?

A. My name is William D. Eggart and my business address is One Energy Place, Pensacola, Florida 32520. I am employed by Gulf Power Company as the Economic Evaluation and Market Reporting Team Leader.

Q. Mr. Eggart, please describe your educational background and business experience.

A. My employment at Gulf Power Company began in 1983. I graduated from The University of West Florida in Pensacola, Florida in 1984 with a Bachelor of Science Degree in Management and from Troy State University in Pensacola, Florida in 1988 with a Master of Science Degree in Management. I have held various positions of increasing responsibility with Gulf Power in both District and Corporate Marketing. For 8 ½ years, I supervised the GoodCents Select group as Team Leader and Project Manager before assuming my current position as the Economic Evaluation and Market Reporting Team

Leader in April 2005.

Q. Mr. Eggart, for what purpose are you appearing before this Commission today?

A. I am testifying before this Commission on behalf of Gulf Power Company regarding matters related to the Energy Conservation Cost Recovery Clause, specifically the approved programs and related expenses for January, 2005, through December, 2005.

Q. Are you familiar with the documents concerning the Energy Conservation Cost Recovery Clause and its related true-up and interest provisions?

A. Yes, I am.

Q. Have you verified that to the best of your knowledge and belief, this information is correct?

A. Yes, I have.

Counsel: We ask that Mr. Eggart's exhibit consisting of 6 Schedules, CT-1 through CT-6, be marked for identification as:
Exhibit No. ____ (WDE-1)

Q. Would you summarize for this Commission the deviations resulting from the actual expenses for this recovery

period and the estimated/actual estimate of expenses previously filed with this Commission?

A. The estimated/actual true-up net expenses for the entire recovery period January, 2005, through December, 2005, were $8,897,045 while the actual costs were $8,826,754 resulting in a variance of ($70,291) or 0.8% under the estimated/actual true-up. See Schedule CT-2, Line 9.

Q. Mr. Eggart, would you explain the January, 2005, through December, 2005, variance?

A. Yes, the reasons for this variance are less expenses than estimated in Residential Energy Surveys, under $55,172; Residential Geothermal Heat Pump Program, under $35,772; Commercial/ Industrial Energy Analysis, under $105,818; Commercial Geothermal Heat Pump, under $6,351; Green Pricing, under $40,428; and Conservation Demonstration and Development, under $9,789. These programs are off-set by an increase of expenses in the GoodCents *Select* program of $181,371 and $1,668 in the GoodCents Buildings program. The resulting net variance is $70,291 under the estimated/actual program expenses reported in September, 2005. Energy Services incurred no expenses as projected in the September, 2005 filing. A more detailed description of the deviations is contained in Schedule CT-6.

Q. Mr. Eggart, what was Gulf's adjusted net true-up for the period January, 2005 through December, 2005?

A. There was an over-recovery of $376,996 as shown on Schedule CT-1, page 1.

Q. Would you describe the results of your programs during the recovery period?

A. A more detailed review of each of the programs is included in my Schedule CT-6. The following is a synopsis of the accomplishments during this recovery period.

(A) Residential Energy Surveys - During this period, the Company projected to perform 4,352 surveys. The Company completed 3,766 surveys.

(B) Residential Geothermal Heat Pump - During the 2005 recovery period, a total of 85 geothermal heat pumps were installed compared to a projection of 85 in the September, 2005 Projection Filing.

(C) GoodCents *Select* - During this recovery period, a net total of 1,156 units were installed with a total of 6,878 units on-line at December 31, 2005. Gulf had projected a net customer addition of 2,200 units for 2005 in the September, 2005 Projection Filing.

(D) Commercial/Industrial Energy Analysis - During 2005, a total of 99 C/I Energy Analyses were completed

compared to a projection of 125 in the September, 2005 Projection Filing.

(E) GoodCents Buildings - During this recovery period a total of 120 buildings were built or improved to GoodCents standards, compared to a projection of 155.

(F) Commercial Geothermal Heat Pump - During the 2005 recovery period, there were no geothermal heat pump installations projected, however three units were installed.

(G) Energy Services - For the 2005 recovery period, at the meter reductions of 12,916,524 kWh, winter kW of 1,547 and summer kW of 2,698 were achieved. The projected results for this period were; at the meter energy reductions of 115,000 kWh, and at the meter demand reductions of 115 kW winter and 46 kW summer.

(H) Green Pricing - Costs associated with the Green Pricing program are provided in Schedule CT-3. Further description of these activities can be found in Schedule CT-6.

(I) Conservation Demonstration and Development - Costs associated with the Conservation Demonstration and Development program are provided in Schedule CT-3. Further description of these activities can be found in Schedule CT-6.

Q. Mr. Eggart, does this conclude your testimony?

A. Yes, it does.

GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony and Exhibit of
William D. Eggart
Docket No. 060002-EG
Energy Conservation Cost Recovery Clause
September 15, 2006

Q. Will you please state your name, business address, employer and position?

A. My name is William D. Eggart and my business address is One Energy Place, Pensacola, Florida 32520. I am employed by Gulf Power Company as the Economic Evaluation and Market Reporting Team Leader.

Q. Mr. Eggart, please describe your educational background and business experience.

A. My employment at Gulf Power Company began in 1983. I graduated from The University of West Florida in Pensacola, Florida in 1984 with a Bachelor of Science Degree in Management and from Troy State University in Pensacola, Florida in 1988 with a Master of Science Degree in Management. I have held various positions of increasing responsibility with Gulf Power in both District and Corporate Marketing. For 8 ½ years, I supervised the GoodCents Select group as Team Leader. I assumed my current position as the Economic Evaluation and Market Reporting Team Leader in April

2005.

Q. Have you previously testified before this Commission in connection to the Energy Conservation Cost Recovery Clause?

A. Yes.

Q. Are you familiar with the schedules for the Energy Conservation Cost Recovery Clause?

A. Yes, I am.

Q. Have you verified, that to the best of your knowledge and belief, this information is correct?

A. Yes, I have.

Counsel: We ask that Mr. Eggart's exhibit consisting of 5 Schedules be marked for identification as: Exhibit No. ____(WDE-2).

Q. Mr. Eggart, for what purpose are you appearing before this Commission today?

A. I am testifying before this Commission on behalf of Gulf Power Company regarding matters related to the Energy Conservation Cost Recovery Clause and to answer any questions concerning the accounting treatment of

recoverable conservation costs in this filing. Specifically, I will address projections for approved programs during the January 2007 through December 2007 recovery period and the anticipated results of those programs during the current recovery period, January 2006 through December 2006 (7 months actual, 5 months estimated).

Q. Would you summarize for this Commission the deviations resulting from the actual costs for January through July of the current recovery period?

A. Projected expenses for the first seven months of the current period were $5,690,851 compared to actual expenses of $5,092,216 for a difference of $598,635 or 10.5% under budget. A detailed summary of all program expenses is contained in my Schedule C-3, pages 1 and 2 and my Schedule C-5, pages 1 through 11.

Q. Have you provided a description of the program results achieved during the period, January 2006 through July 2006?

A. Yes. A detailed summary of year-to-date results for each program is contained in my Schedule C-5, pages 1 through 11.

# PROGRESS ENERGY FLORIDA

## DOCKET NO. 060002-EG

# DIRECT TESTIMONY OF JOHN A. MASIELLO

**Q. State your name and business address.**

A. My name is John A. Masiello. My business address is 3300 Exchange Place, Lake Mary, Florida 32746.

**Q. By whom are you employed and in what capacity?**

A. I am employed by Progress Energy Florida, Inc. (Progress Energy or the Company), as Manager of DSM & Alternative Energy Strategy.

**Q. Have your duties and responsibilities remained the same since you last testified in this proceeding?**

A. Yes.

**Q. What is the purpose of your testimony?**

A. The purpose of my testimony is to compare Progress Energy's actual costs of implementing conservation programs with the actual revenues collected through the Company's Energy Conservation Cost Recovery Clause (ECCR) during the period January 2005 through December 2005.

**Q. Do you have any exhibits to your testimony?**

A. Yes, Exhibit No. (JAM-1T) entitled, "Progress Energy Florida Energy Conservation Adjusted Net True-Up for the Period January 2005 through December 2005." There are five (5) schedules to this exhibit.

**Q. Will you please explain your exhibit?**

A. Yes. Exhibit JAM-1T presents Schedules CT-1 through CT-5. These schedules set out the actual costs incurred for all programs during the period from January 2005 through December 2005. They also describe the variance between actual costs and previously projected values for the same time period. Schedule CT-5 provides a brief summary report for each program that includes a program description, annual program expenditures and program accomplishments over the twelve-month period ending December 2005.

**Q. Would you please discuss Schedule CT-1?**

A. Yes. Schedule CT-1 shows that Progress Energy's actual net ECCR true-up for the twelve months ending December 31, 2005 was an over-recovery of $9,598,366 including principal and interest. This amount is $1,731,441 more than the previous estimate in the Company's September 27, 2005 ECCR Projection Filing.

**Q. Does this conclude your direct testimony?**

A. Yes.

PROGRESS ENERGY FLORIDA

DOCKET NO. 060002-EG

# DIRECT TESTIMONY OF JOHN A. MASIELLO

**Q. State your name and business address.**

A. My name is John A. Masiello. My business address is Progress Energy, 3300 Exchange Place, Lake Mary, FL 32746.

**Q. By whom are you employed and in what capacity?**

A. I am employed by Progress Energy Florida, Inc (Progress Energy or the Company) as Manager, DSM & Alternative Energy Strategy.

**Q. Have your duties and responsibilities remained the same since you last testified in this proceeding.**

A. Yes.

**Q. What is the purpose of your testimony?**

A. The purpose of my testimony is to describe the components and costs of the Company's Demand-Side Management Plan as approved by the Commission. I will detail the projected costs for implementing each program in that plan, explain how these costs are presented in my attached exhibit, and show the resulting Energy Conservation Cost Recovery (ECCR) factors for customer billings in 2007.

**Q. Do you have any Exhibits to your testimony?**

A. Yes, Exhibit No. _____ (JAM-1P) consists of Schedules (C-1 through C-5), which support Progress Energy's ECCR calculations for the 2006 actual/estimated period and the 2007 projection period.

**Q. For what programs does Progress Energy seek recovery?**

A. Progress Energy is seeking to recover those costs allowed pursuant to Rule 25-17.015, F.A.C., for each of the following Commission-approved conservation programs, as well as for Conservation Program Administration (those common administration expenses not specifically linked to an individual program).

- Home Energy Check
- Home Energy Improvement
- Residential New Construction
- Low-Income Weatherization Assistance
- Energy Management (Residential and Commercial Load Management )
- Business Energy Check
- Better Business
- Commercial/Industrial New Construction
- Innovation Incentive
- Standby Generation
- Interruptible Service
- Curtailable Service
- Technology Development
- Qualifying Facilities

**Q. What is included in your Exhibit?**

A. My exhibit consists of Schedules C-1 through C-5. Schedule C-1 provides a summary of cost recovery clause calculations and information by retail rate schedule. Schedule C-2 provides annual and monthly conservation program cost estimates for the 2007 projection period for each conservation program, as well as for common administration expenses. Additionally, Schedule C-2 presents program costs by specific category (i.e. payroll, materials, incentives, etc.) and includes a schedule of estimated capital investments, depreciation and return for the projection period.

Schedule C-3 contains a detailed breakdown of conservation program costs by specific category and by month for the actual/estimated period of January through July 2006 (actual) and August through December 2006 (estimated). In addition, Schedule C-3 presents a schedule of capital investment, depreciation and return, an energy conservation adjustment calculation of true-up, and a calculation of interest provision for the 2006 actual/estimated period.

Schedule C-4 projects ECCR revenues during the 2007 projection period. Schedule C-5 presents a brief description of each program, as well as a summary of progress and projected expenditures for each program for which Progress Energy seeks cost recovery through the ECCR clause.

**Q. Would you please summarize the major results from your Exhibit?**

A. Yes. Schedule C-2, Page 1 of 6, Line 20, shows total net program costs of $81,818,499 for the 2007 projection period. The following table presents Progress Energy's proposed ECCR billing factors, expressed in dollars per

1,000 kilowatt-hours by retail rate class and voltage level for calendar year 2007, as contained in Schedule C-1, Page 2 of 2.

**2007 ECCR Billing Factors** ($/1,000 kWh)

| Retail Rate Schedule | Secondary Voltage | Primary Voltage | Transmission Voltage |
|---|---|---|---|
| Residential | $1.96 | N/A | N/A |
| General Service Non-Demand | $1.76 | $1.74 | $1.72 |
| General Service 100% Load Factor | $1.41 | N/A | N/A |
| General Service Demand | $1.58 | $1.56 | $1.55 |
| Curtailable | $1.31 | $1.30 | $1.28 |
| Interruptible | $1.44 | $1.43 | $1.41 |
| Lighting | $0.84 | N/A | N/A |

**Q. Does this conclude your testimony?**

A. Yes.

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**PREPARED DIRECT TESTIMONY**

**OF**

**HOWARD T. BRYANT**

**Q.** Please state your name, address, occupation and employer.

**A.** My name is Howard T. Bryant. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "the company") as Manager, Rates in the Regulatory Affairs Department.

**Q.** Please provide a brief outline of your educational background and business experience.

**A.** I graduated from the University of Florida in June 1973 with a Bachelor of Science degree in Business Administration. I have been employed at Tampa Electric since 1981. My work has included various positions in Customer Service, Energy Conservation Services, Demand Side Management ("DSM") Planning, Energy Management and Forecasting, and Regulatory Affairs. In my current position I am responsible for the company's Energy Conservation Cost Recovery ("ECCR") clause, Environmental

Cost Recovery Clause ("ECRC"), and retail rate design.

**Q.** Have you previously testified before the Florida Public Service Commission ("Commission")?

**A.** Yes. I have testified before this Commission on conservation and load management activities, DSM goals setting and DSM plan approval dockets, and other ECCR dockets since 1993, and ECRC activities since 2001.

**Q.** What is the purpose of your testimony in this proceeding?

**A.** The purpose of my testimony is to support the company's actual conservation costs incurred during the period January 2005 through December 2005, the actual/projected period January 2006 to December 2006, and the projected period January 2007 through December 2007. Also, I will support the level of charges (benefits) for the non-firm interruptible customers allocated to the period January 2007 through December 2007. The balance of costs will be charged to the firm customers on a per kilowatt-hour ("kWh") basis in accordance with Docket No. 930759-EG, Order No. PSC-93-1845-FOF-EG, dated December 29, 1993. Finally, I will support the appropriate Contracted Credit Value ("CCV") for potential participants in the General

Service Industrial Load Management Riders ("GSLM-2" and "GSLM-3") for the period January 2007 through December 2007.

**Q.** Did you prepare any exhibits in support of your testimony?

**A.** Yes. Exhibit No. _____ (HTB-2), containing one document, was prepared under my direction and supervision. It includes Schedules C-1 through C-5 and associated data which support the development of the conservation cost recovery factors for 2007.

**Q.** What is the basis of this request for expenses to be based on different charges for interruptible and firm customers?

**A.** Tampa Electric's conservation and load management programs do not accrue capacity benefits to interruptible customers. This position has been affirmed by the Commission in Docket Nos. 900002-EG through 050002-EG. The company estimates the cumulative effects of its conservation and load management programs will allow the interruptible customers to have lower fuel costs ($0.61/MWH) due to the reductions in marginal fuel costs.

**Q.** How were those benefits calculated?

**A.** To determine fuel savings effects, the company calculated a "what if there had been no conservation programs" scenario. The results indicate that the avoided gigawatt-hours have actually reduced average fuel costs due to the fact that higher priced marginal fuels would have been burned if the gigawatt-hours had not been saved. Exhibit No. ___ (HTB-2), Conservation Costs Projected, provides the costs and benefits.

**Q.** Will charging different amounts for firm and interruptible customers conflict with the Florida Energy Efficiency and Conservation Act?

**A.** No. The act requires utilities, through the guidance of the Commission, to cost effectively reduce peak demand, energy consumption and the use of scarce resources, particularly petroleum fuels. It does not require all customers to pay the utilities' conservation costs whether they receive the same level of benefits or not. The relationships between costs and benefits received are specifically the determination of the Commission.

**Q.** Please describe the conservation program costs projected

by Tampa Electric during the period January 2005 through December 2005.

**A.** For the period January 2005 through December 2005, Tampa Electric projected conservation program costs to be $17,921,677. The Commission authorized collections to recover these expenses in Docket No. 040002-EG, Order No. PSC-04-1178-FOF-EG, issued November 30, 2004.

**Q.** For the period January 2005 through December 2005, what were Tampa Electric's conservation costs and what was recovered through the ECCR clause?

**A.** For the period January 2005 through December 2005, Tampa Electric incurred actual net conservation costs of $15,583,726, plus a beginning true-up over-recovery of $2,405,000 for a total of $13,178,726. The amount collected in the ECCR clause was $15,718,319.

**Q.** What was the true-up amount?

**A.** The true-up amount for the period January 2005 through December 2005 was an over-recovery of $2,614,594. These calculations are detailed in Exhibit No. ___ (HTB-1), Conservation Cost Recovery True Up, Pages 1 through 11,

filed May 1, 2006.

**Q.** Please describe the conservation program costs incurred and projected to be incurred by Tampa Electric during the period January 2006 through December 2006.

**A.** The actual costs incurred by Tampa Electric through July 2006 and estimated for August 2006 through December 2006 are $14,489,195. For the period, Tampa Electric anticipates an over-recovery in the ECCR Clause of $982,393 which includes the 2005 true-up and interest. A summary of these costs and estimates are fully detailed in Exhibit No. ___ (HTB-2), Conservation Costs Projected, pages 11 through 26.

**Q.** Please summarize the proposed conservation costs and cost recovery factors for the period January 2007 through December 2007.

**A.** The company has estimated that the total conservation costs (less program revenues) during the period will be $14,294,475 plus true-up. Including true-up estimates and the interruptible sales contribution at 0.061 cents/kWh, the cost recovery factors for firm retail rate classes are as follows:

| Rate Schedule | Cost Recovery Factors (cents per kWh) |
|---|---|
| RS | 0.073 |
| GS and TS | 0.071 |
| GSD - Secondary | 0.063 |
| GSD - Primary | 0.062 |
| GSLD and SBF - Secondary | 0.056 |
| GSLD and SBF - Primary | 0.056 |
| GSLD and SBF - Subtransmission | 0.055 |
| SL and OL | 0.026 |

Exhibit No. ___ (HTB-2), Conservation Costs Projected, pages 13 through 19 contain the Commission prescribed forms which detail these estimates.

**Q.** Has Tampa Electric complied with the ECCR cost allocation methodology stated in Docket No. 930759-EG, Order No. PSC-93-1845-EG?

**A.** Yes, it has.

**Q.** Please explain why the incentive for GSLM-2 and GSLM-3 rate riders is included in your testimony.

**A.** In Docket No. 990037-EI, Tampa Electric petitioned the

Commission to close its non-cost-effective interruptible service rate schedules while initiating the provision of a cost-effective non-firm service through a new load management program. This program would be funded through the ECCR clause and the appropriate annual CCV for customers would be submitted for Commission approval as part of the company's annual ECCR projection filing. Specifically, the level of the CCV would be determined by using the Rate Impact Measure ("RIM") Test contained in the Commission's cost-effectiveness methodology found in Rule 25-17.008, F.A.C. By using a Rim Test benefit-to-cost ratio of 1.2, the level of the CCV would be established on a per kilowatt ("kW") basis. This program and methodology for CCV determination was approved by the Commission in Docket No. 990037-EI, Order No. PSC-99-1778-FOF-EI, issued September 10, 1999.

**Q.** What is the appropriate CCV for customers who elect to take service under the GSLM-2 and GSLM-3 rate riders during the January 2007 through December 2007 period?

**A.** For the January 2007 through December 2007 period, the CCV will be $7.78 per kW. If the 2007 assessment for need determination indicates the availability of new non-firm load, the CCV will be applied to new subscriptions

for service under those rate riders. The application of the cost-effectiveness methodology to establish the CCV is found in the attached analysis, Exhibit No. ___ (HTB-2), Conservation Costs Projected, beginning on page 44 through 53.

**Q.** Does this conclude your testimony?

**A.** Yes it does.

MS. FLEMING: Staff would also ask that the Exhibits 1 through 11 be marked and moved into the record.

CHAIRMAN EDGAR: The exhibits will be so marked and moved into the record.

(Exhibits 1 through 11 marked for identification and admitted into the record.)

MS. FLEMING: Staff would recommend that the Proposed Stipulations Issues 1 through 5 listed on Pages 5 through 8 of the prehearing order be approved by the Commission, noting that OPC and FIPUG have taken no position.

CHAIRMAN EDGAR: Thank you, Ms. Fleming.

Commissioners, as our staff has just described to us, we are now in the posture of having the proposed stipulations before us. Are there questions? Is there discussion?

COMMISSIONER DEASON: Madam Chairman, if there are no questions, I can move the Stipulated Issues 1 through 5.

COMMISSIONER CARTER: Second.

CHAIRMAN EDGAR: Thank you. Any further discussion? Seeing none. Then all in favor of the motion say aye.

(Unanimous affirmative vote.)

CHAIRMAN EDGAR: Opposed? Show the motion adopted.

Ms. Fleming, any further business in this docket?

MS. FLEMING: No, Chairman, I am not aware of any other business in this docket.

CHAIRMAN EDGAR: Thank you. Then we have concluded

our business on the 02 docket. We will be moving on to the 07 docket. I think it is maybe a nice time for a stretch, so we are going to go on break until 20 after by the clock on the wall.

* * * * * * *

STATE OF FLORIDA )

: CERTIFICATE OF REPORTER

COUNTY OF LEON )

I, JANE FAUROT, RPR, Chief, Hearing Reporter Services Section, FPSC Division of Commission Clerk and Administrative Services, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 15th day of November, 2006.

JANE FAUROT, RPR
Official FPSC Hearings Reporter
FPSC Division of Commission Clerk and
Administrative Services
(850) 413-6732