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August 7, 2008

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COMMISSION  
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**BY HAND DELIVERY**

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

Re: Docket No. 080002-EG - Florida Public Utilities Company, Energy Conservation  
Cost Recovery - Electric; Audit Control No. 08-037-4-1

Dear Ms. Cole:

Enclosed is an original and 15 copies of the response of Florida Public Utilities Company  
to the audit disclosures in the above referenced docket.

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

- COM \_\_\_\_\_
- ECR** \_\_\_\_\_
- GCL \_\_\_\_\_
- OPC \_\_\_\_\_
- RCP \_\_\_\_\_
- SSC \_\_\_\_\_
- SGA \_\_\_\_\_
- ADM \_\_\_\_\_
- CLK \_\_\_\_\_

Thank you for your assistance with this filing.

Sincerely yours,

Norman H. Horton, Jr.

NIH/amb  
Enclosures

cc: Office of Public Counsel

DOCUMENT NUMBER - DATE  
06951 AUG-7 08  
FPSC - COMMISSION CLERK

**AUDIT FINDING NO. 1**

**SUBJECT: CAR WRAP**

**AUDIT ANALYSIS:** Florida Public Utilities paid \$6,549.75 to Signs for Tomorrow for a car wrap around two Chevy Trucks used in the electric divisions. The wrap advertises the conservation programs. The invoice was charged 46% to gas and 54% to electric divisions. According to a company representative the costs should be 100% electric.

**EFFECT ON GENERAL LEDGER:** The following entry should be made to the ledger but not included in next years filing costs:

114.4010.909-Marianna Conservation Advertising	\$1,506.45	\$
115.4010.909-Fernandina Conservation Advertising	1,506.44	
121.4010.909 West Palm Cons. Advertising		1,506.45
123.4010.909 Brevard Conservation Advertising		1,506.45

**EFFECT ON FILING:** Electric costs should be increased by \$3,012.89 and interest of \$110 for a total reduction to the over-recovery of \$3,123.

**FPU's Response:**

FPU agrees with the recommendations in Audit Finding No. 1 and have already booked the changes (thru June08) of increasing Electric Costs to \$3,123. This expense was incorrectly divided between Natural Gas and Electric Conservation; the correction resulted in a 100% expense to Electric conservation and a credit to Natural Gas conservation of \$3,123.

DOCUMENT NUMBER-DATE  
06951 AUG-7 8  
FPSC-COMMISSION CLERK

**AUDIT FINDING NO. 2**

**SUBJECT: RATE INCREASE MAILING**

**AUDIT ANALYSIS:** Florida Public Utilities paid \$5,267 for postage to mail a notice of rate increase from docket 070304-EI. Approximately 65% of the notice related to recommending the customers use the conservation programs to reduce their bills. The utility charged 85% of the postage to conservation and the rest to regulatory expense.

The difference of 20% would reduce conservation expenses by \$1,053.40. Interest on the difference amounts to \$21.

**EFFECT ON GENERAL LEDGER:** The following entry should be made to the ledger:

114.4010.928 Marianna Regulatory Expense	\$ 526.70	\$
115.4010.928 Fernandina Regulatory Expense	526.70	
114.4010.909 Marianna Conservation Advertising		526.70
115.4010.909 Fernandina Conservation Advertising		526.70

**EFFECT ON FILING:** Costs should be reduced by \$1,053.40 and interest reduced by \$21. The net increase to the over-recovery is \$1,074.40.

**FPU's Response:**

After a closer examination, conservation educational messaging *did in fact only constitute for* 65% of the mailing notice, not 85%. The recommended changes to the ledger have already been booked (thru June 08), and Electric Conservation costs was reduced by a total of \$1,074.40

### AUDIT FINDING NO. 3

#### SUBJECT: PUBLIC RELATIONS RETAINER

**AUDIT ANALYSIS:** Starting in August 2007, Florida Public Utilities began paying a public relations firm a \$5,000 a month retainer. In 2007, \$25,000 was paid. The cost was split between the Marianna and Fernandina divisions conservation program costs. (Account 4010.909-Advertising) The retainer was paid to update the media campaign book, employee letter, newsletter, "Prepare for Higher Costs" news release and customer handouts.

The public relations firm also worked on the "Energy for Life" Home Performance Makeover which selected a needy family from each division and refit the customers home with energy efficient measures.

**EFFECT ON GENERAL LEDGER:** This finding is for informational purposes.

**EFFECT ON FILING:** This finding is for informational purposes.

#### **FPU's Response:**

In November of 2006, FPU partitioned the PSC to allow the Company to gradually increase fuel costs in advance of new purchase power contracts with suppliers. The scenario would have positioned FPU to over-recover fuel costs in advance and spread the impact to customers over a one-year period and then refund the over collection over a five year period thus lessening the impact over time. FPU's request was denied by staff for a number of reasons and as a result FPU was advised to concentrate efforts to educate customers on how to conserve.

To prepare our customers for the dramatic increase in energy costs, FPU began a *comprehensive conservation messaging campaign* that served as a platform to communicate how to conserve energy as a means to mitigate the impact of increasing fuel costs. As a small investor owned utility, FPU has limited resources to facilitate a large scale communication plan. These constraints led FPU to hire a Public Relations firm who is experienced in the utility industry and who understands the dynamics of what is needed in terms of the messaging that FPU needs to educate its customers.

The services provided by Curly & Pynn (C&P) enabled FPU to expand our conservation messaging efforts beyond what we have traditionally been able to achieve and without hiring permanent staffing. We found that the retainer fee of \$5,000 per month was within the limits

of our conservation budget and did not cause a significant increase to the conservation surcharge to our customers. With the assistance provided by C&P, FPU was able to launch new and innovative energy conservation programs such as but not limited to:

- Hosting energy conservation workshops for our commercial customers
- Hosting personal finance and budgeting workshops for our customers in conjunction with a local bank
- Organizing and promoting Home Energy Makeover events in both electric divisions
- Repackaging of conservation messaging with a focus on no / low cost measures to conserve energy
- Hosting employee education forums so that all FPU electric division employees could convey the programs and assistance FPU maintains to assist customers with reducing energy consumption