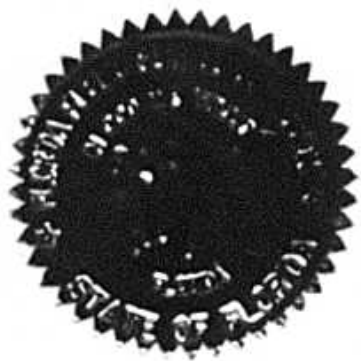


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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In the Matter of	:	DOCKET NO. 980002-EG
Energy Conservation	:	
Cost Recovery Clause.	:	



PROCEEDINGS: HEARING

BEFORE: COMMISSIONER SUSAN F. CLARK
 COMMISSIONER JOE GARCIA
 COMMISSIONER E. LEON JACOBS, JR.

DATE: Wednesday, February 25, 1998

TIME: Commenced at 9:30 a.m.
 Concluded at 10:30 a.m.

PLACE: Betty Easley Conference Center
 Room 148
 4075 Esplanade Way
 Tallahassee, Florida

REPORTED BY: H. RUTHE POTAMI, CSR, RPR
 Official Commission Reporter

DOCUMENT NUMBER-DATE
 02852 MAR -4 98
 FPSC-RECORDS/REPORTING

1 APPEARANCES:

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4 Tallahassee, Florida 32312, appearing on behalf of
5 **Chesapeake Utilities Corporation, Florida Division.**

6 **JAMES A. MCGEE**, Florida Power Corporation,
7 Post Office Box 14042, 3201 34th Street South,
8 St. Petersburg, Florida 33733, appearing on behalf of
9 **Florida Power Corporation.**

10 **KENNETH A. HOFFMAN**, Rutledge, Ecenia,
11 Underwood, Purnell and Hoffman, P. O. Box 511,
12 215 South Monroe Street, Suite 420, Tallahassee,
13 Florida 32302-0551, appearing on behalf of **Florida**
14 **Public Utilities Company.**

15 **JEFFREY A. STONE**, Beggs & LANE, 700 Blount
16 Building, 3 West Garden Street, Post Office Box 12950,
17 Pensacola, Florida 32576-2950, appearing on behalf of
18 **Gulf Power Company.**

19 **JAMES D. BEASLEY**, Ausley & McMullen, Post
20 Office Box 391, Tallahassee, Florida 32302, appearing
21 on behalf of **Tampa Electric Company.**

22

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1 **APPEARANCES CONTINUED:**

2 **VICKI GORDON KAUFMAN**, McWhirter, Reeves,
3 McGlothlin, Davidson, Rief & Bakas, P.A., 117 South
4 Gadsden Street, Tallahassee, Florida 32301, appearing
5 on behalf of **Florida Industrial Power Users Group**.

6 **JOHN ROGER HOWE**, Deputy Public Counsel,
7 Office of Public Counsel, 111 West Madison Street,
8 Room 812, Tallahassee, Florida 32399-1400, appearing
9 on behalf of the **Citizens of the State of Florida**.

10 **WILLIAM COCHRAN KEATING, IV**, FPSC Division
11 of Legal Services, 2540 Shumard Oak Boulevard,
12 Tallahassee, Florida, appearing on behalf of the
13 **Commission Staff**.

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I N D E X

MISCELLANEOUS

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17	HTB-2	108	108
18	Schedules C1 through C4	110	110

1 Tampa Electric Company in Dockets 980001, 2, and 7.

2 **MR. HOFFMAN:** Commissioner Clark, my name is
3 Kenneth A. Hoffman of the law firm of Rutledge,
4 Ecenia, Underwood, Purnell and Hoffman. Our address
5 is P.O. Box 551, Tallahassee Florida 32302. I'm here
6 this morning on behalf of Florida Public Utilities
7 Company in Docket Nos. 980001, 0002, and 0003.

8 **MR. SCHIEFELBEIN:** Good morning,
9 Commissioners. Wayne Schiefelbein, Gatlin,
10 Schiefelbein & Cowdery, 3301 Thomasville Road,
11 Suite 300, Tallahassee 32312, appearing on behalf of
12 Chesapeake Utilities Corporation in the 02 and 03
13 dockets.

14 **MR. CHILDS:** Commissioners, my name is
15 Matthew Childs of the firm of Steel, Hector & Davis.
16 I'm appearing on behalf of Florida Power & Light
17 Company in the 01 and the 07 dockets.

18 **MR. HOWE:** Commissioners, I'm Roger Howe
19 with the Office of Public Counsel, appearing on behalf
20 of the citizens of the state of Florida in the 01, 02,
21 03 and 07 dockets.

22 **MS. KAUFMAN:** Vicki Gordon Kaufman of the
23 law firm McWhirter, Reeves, McGlothlin, Davidson,
24 Rief & Bakas. I'm appearing for the Florida
25 Industrial Power Users Group in the 01, 02 and 07

1 dockets.

2 **MS. PAUGH:** Leslie Paugh on behalf of
3 Commission Staff in the 01 and 07 dockets.

4 **MR. KEATING:** Cochran Keating on behalf of
5 Commission Staff in the 02 and 03 dockets.

6 **COMMISSIONER CLARK:** I'd like to indicate
7 for the record we yesterday had a phone call from
8 Ansley Watson who, I believe, represents People's Gas.
9 We indicated to him at that time that we didn't think
10 it was necessary for him to come to Tallahassee from
11 Tampa to attend this hearing because it appeared to us
12 that the testimony would be stipulated in and the
13 results stipulated. So he's been excused from this
14 hearing.

15 All right. Any other preliminary matters?
16 Ms. Paugh, do you want to sort of give us a road map
17 as to what we're going to do?

18 **MS. PAUGH:** Dockets 02, 03 and 07 are
19 completely stipulated with the exception of the
20 generic issue of annualization. It might be
21 appropriate to take those dockets first so that those
22 parties may be released, and then take up 01 last,
23 which has outstanding issues.

24 **COMMISSIONER CLARK:** Joe, I know you've done
25 this before, but for Commissioner Jacobs' benefit,

1 fortunately fuel adjustment and conservation cost
2 recovery and environmental cost recovery, that we are
3 usually able to work things out to the satisfaction of
4 all parties; and what we do is stipulate the testimony
5 into the record and then approve the stipulations that
6 have been agreed to by all the parties.

7 What makes these cases different is that
8 there has been a request to go to annual fuel
9 adjustment proceedings. I had indicated, as
10 prehearing officer, I thought that was an issue that
11 should go to the full Commission.

12 What remains to be decided by the panel is,
13 as I understand it, whether or not we should institute
14 a six-month or nine-month adjustment for FP&L in
15 anticipation of what the full Commission might do.

16 Have I characterized that correctly?

17 **MS. PAUGH:** That's correct. And with
18 respect to all of the generic issues, there has been a
19 ruling made to go to the full Commission, and a
20 separate docket has been set up and it has been set
21 for a workshop already.

22 **COMMISSIONER CLARK:** Okay. Well, if you
23 would, would you walk me through the dockets you
24 suggested? Was it 02, 03, and then 07?

25 **MS. PAUGH:** That's correct.

1 **COMMISSIONER CLARK:** All right. Let's walk
2 through those and get the testimony into the record
3 and approve the stipulations that were offered.

4 **MR. KEATING:** Starting with 02, Staff
5 believes it's appropriate to move all the testimony
6 prefiled in this docket into the record as though
7 read. All witnesses who prefiled testimony in this
8 docket, along with the utilities on whose behalf they
9 filed testimony, can be found on Pages 5 and 6 of the
10 prehearing order.

11 **COMMISSIONER CLARK:** Is it the most
12 expeditious way to stipulate the testimony of the
13 witnesses listed on 5 and 6 and then go to the
14 exhibits and mark them?

15 **MR. KEATING:** Yes.

16 **COMMISSIONER CLARK:** Okay. At this time we
17 will stipulate into the record the testimony of all
18 the witnesses listed on Page 5 and Page 6 of the
19 prehearing order in Docket 980002.

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1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 In. Re: Conservation Cost Recovery Clause

11

3 DIRECT TESTIMONY OF BEVERLY A. BAUCK

4 On Behalf of

5 Chesapeake Utilities Corporation

6 DOCKET NO. 970002-EG

7 Q. Please state your name, business address, by whom you are employed, and in
8 what capacity.

9 A. My name is Beverly A. Bauck, and my business address is 1015 6th Street N. W.,
10 Winter Haven, Florida, 33881. I am employed by Chesapeake Utilities
11 Corporation ("Chesapeake") as Conservation Services Representative.

12 Q. Are you familiar with the energy conservation programs of Chesapeake and costs
13 which have been, and are projected to be, incurred in their implementation?

14 A. Yes.

15 Q. What is the purpose of your testimony in this docket?

16 A. The purpose of my testimony is to present data and summaries concerning the
17 planned and actual accomplishments of Chesapeake's energy conservation
18 programs during the period October 1, 1996 through September 30, 1997. Data
19 related to calculation of the true-up for this period is also included.

20 Q. Have you prepared summaries of Chesapeake's conservation programs and the
21 costs associated with these programs?

22 A. Yes. Summaries of the five programs in connection with which Chesapeake
23 incurred recoverable costs during the period October 1, 1996 through
24 September 30, 1997 are contained in Schedule CT-6 of Exhibit BAB-1. Included
25 are our Single and Multi-Family Home Builder Program, our Water Heater

1 Replacement Program, our Replacement of Electric Strip and Oil Heating
2 Program, our Natural Gas Space Conditioning Program, and our Conservation
3 Education Program.

4 Q. Have you prepared schedules which show the expenditures associated with
5 Chesapeake's energy conservation programs for the periods you have
6 mentioned?

7 A. Yes. Schedule CT-2, page 2 , Exhibit BAB-1 shows actual expenses for the
8 period. Schedule CT-2, page 1, shows a comparison of the actual program costs
9 and true-up with the estimated costs and true-up submitted at the February 1997
10 hearing in this docket.

11 Q. What was the total cost incurred by Chesapeake in connection with the five
12 programs during the month ended September 30, 1997?

13 A. As shown in Exhibit BAB-1, Schedule CT-2, page 2, total program costs were
14 \$264,700. This total is \$29,254 more than our projection of the program costs
15 for the twelve month period.

16 Q. Have you prepared, for the twelve-month period involved, a schedule which
17 shows the variance of actual from projected costs by categories of expenses?

18 A. Yes. Schedule CT-2, page 3, of Exhibit BAB-1 shows these variances. Reasons
19 for the variances are included in Schedule CT-6 of Exhibit BAB-1.

20 Q. What is Chesapeake's adjusted net true-up for the twelve months ended
21 September 30, 1997?

22 A. We originally estimated an underrecovery, including interest of, \$75,870. This
23 projected true-up amount was based on conservation revenues of \$159,651 for
24 the period October 1996 through September 1997. However, sales during this
25 period actually yielded conservation revenues of \$214,797, over projections by

1 \$55,146. Adding expenses of \$29,254 more than projected results in a total
2 difference, including interest, of \$24,925 as shown on Schedule CT-1 of Exhibit
3 BAB-1.

4 Q. Is this adjusted net true-up of \$24,925 an overrecovery or underrecovery?

5 A. An overrecovery, as shown on Schedule CT-1 of Exhibit BAB-1.

6 Q. Does this conclude your testimony?

7 A. Yes, it does.

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In. Re: Conservation Cost Recovery Clause

DIRECT TESTIMONY OF BEVERLY A. BAUCK

On Behalf of

Chesapeake Utilities Corporation

DOCKET NO. 980002-EG

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7 Q Please state your name, business address, by whom you are employed, and in what
8 capacity.

9 A My name is Beverly A. Bauck, and my business address is 1015 6th Street N. W.,
10 Winter Haven, Florida, 33881. I am employed by Chesapeake Utilities Corporation
11 ("Chesapeake") as Conservation Services Representative.

12 Q Are you familiar with the energy conservation programs of Chesapeake and costs which
13 have been, and are projected to be, incurred in their implementation?

14 A Yes.

15 Q What is the purpose of your testimony in this docket?

16 A To describe generally the expenditures made and projected to be made in implementing,
17 promoting, and operating Chesapeake's energy conservation programs. This will
18 include recoverable costs incurred in October and November, 1997 and projections of
19 program costs to be incurred from December, 1997 through September 1998. It will
20 also include projected conservation costs for the period October 1, 1998 through
21 March 31, 1999, with a calculation of the conservation adjustment factors to be applied
22 to the customers' bills during the collection period of April 1, 1998 through March 31,
23 1999.

24 Q Have you prepared summaries of Chesapeake's conservation programs and the costs
25 associated with these programs?

- 1 A. Yes. Summaries of the five programs are contained in Schedule C-4 of Exhibit BAB-
2 2. Included are our Single and Multi-Family Home Builder Program, our Water Heater
3 Replacement Program, our Replacement of Electric Strip and Oil Heating Program, our
4 Natural Gas Space Conditioning Program, and our Conservation Education Program.
- 5 Q. Have you prepared schedules which show the expenditures associated with
6 Chesapeake's energy conservation programs for the periods you have mentioned?
- 7 A. Yes. Schedule C-3, Exhibit BAB-2 shows actual expenses for the months October and
8 November 1997. Projections for December, 1997 through September, 1998 are also
9 shown on Schedule C-3. Projected expenses for the October, 1998 through March
10 1999 period are shown on Schedule C-2 of Exhibit BAB-2.
- 11 Q. Have you prepared schedules which show revenues for the period October, 1997
12 through March, 1998?
- 13 A. Yes. Schedule C-3 (Page 6 of 7, Line 4) shows actual revenues for the months October
14 and November, 1997. Projections for December, 1997 through September, 1998, are
15 also shown on Schedule C-3 (Page 6 of 7, Line 4).
- 16 Q. Have you prepared a schedule which shows the calculation of Chesapeake's proposed
17 conservation adjustment factors to be applied during billing periods from April 1, 1998
18 through March 31, 1999?
- 19 A. Yes. Schedule C-1 of Exhibit BAB-2 shows this calculation. Net program cost
20 estimates for the period October 1, 1998, through March 31, 1999 are used. The
21 estimated true-up amount from Schedule C-3 (Page 6 of 7, Line 12) of Exhibit BAB-2,
22 being an underrecovery, was added to the total of the projected costs for the six-month
23 period. The total amount was then divided among Chesapeake's firm rate classes,
24 based on total projected contribution. The results were then divided by the projected
25 retail firm therm sales for each rate class for the twelve-month period ending March 31,

1 1999. The resulting factors are shown on Schedule C-1 of Exhibit BAB-2.

16

2 Q Does this conclude your testimony?

3 A Yes, it does.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

AMENDED DIRECT TESTIMONY

OF

CARL SMITH

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Q. Please state your name, business address, by whom you are employed, and in what capacity.

A. My name is Carl Smith and my business address is 955 East 25th Street, Hialeah, Florida 33013-3498. I am employed by NUI Corporation as Vice President of Marketing for its regulated businesses, comprising the Florida, North Carolina, Maryland, Pennsylvania, New York and New Jersey utility operations of NUI Corporation.

Q. Are you familiar with the energy conservation programs of City Gas Company of Florida ("City Gas")?

A. Yes, I am. City Gas is NUI Corporation's Florida utility operation.

Q. Are you familiar with the costs that have been incurred and that are projected to be incurred by City Gas in implementing its energy conservation programs?

A. Yes, I am.

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

2

3 A. To describe generally the expenditures made and projected to be made in
4 promoting and operating City Gas' energy conservation programs. This will
5 include recoverable costs incurred in October and November 1997,
6 revised projections of program costs to be incurred from December 1997
7 through March 1998, and original projections of program costs to be
8 incurred from April 1998 through March 1999. This also includes a
9 calculation of the conservation adjustment factor to be applied to
10 customers' bills during the April 1998 through March 1999 period.

11

12 **Q. Has City Gas prepared summaries of its conservation programs and**
13 **the costs associated with these programs?**

14

15 A. Yes. Summaries of the Company's programs are contained in Schedule C-
16 5 of my Exhibit (CS-1). As you can see, I have included summaries of the
17 Company's existing programs, as the Company's newly proposed
18 programs have not yet received final approval.

19

20 **Q. Has City Gas prepared schedules which show the expenditures**
21 **associated with its energy conservation programs for the periods you**
22 **have mentioned?**

23

24 A. Yes. Schedule C-3, of Exhibit CS-1 shows actual expenses incurred for
25 the months of October and November 1996, revised projections for

1 December 1997 through March 1998, and original projections for April 1998
2 through September 1999. Original projections for the October 1998
3 through March 1999 period are shown on Schedule C-2, of Exhibit (CS-1).
4

5 **Q. Has City Gas prepared a schedule which shows the calculation of**
6 **City Gas' proposed conservation adjustment factor to be applied**
7 **during billing periods from April 1998 through and including March**
8 **1999?**

9
10 **A. Yes.** Schedule C-1, of Exhibit (CS-1) shows this calculation. The
11 estimated true-up amount through September 1998 (Schedule C-3, of
12 Exhibit (CS-1)), is a \$1,195,401 underrecovery and it was added to the total
13 of the incremental costs through March 1998 (Schedule C-2, of Exhibit
14 (CS-1)). The resulting amount was then allocated by the Company's
15 projected retail revenues by rate class for the twelve-month period ending
16 March 31, 1999. As shown on Schedule C-1, the resulting conservation
17 adjustment factor is a charge of \$0.06339 per therm for the Residential rate
18 classes (RS, ED and GL), and \$0.01711 for the Commercial rate classes
19 (CS, ED, LCS, CTS and SCTS). The charge for gaslights (GL) equates to
20 \$1.14102 per lamp.
21

22 **Q. Does this conclude your testimony?**
23

24 **A. Yes, it does.**
25

FLORIDA POWER CORPORATION
DOCKET No. 970002-EG

DIRECT TESTIMONY OF
MICHAEL F. JACOB

1 Q. State your name and business address.

2 A. My name is Michael F. Jacob. My business address is Florida Power
3 Corporation, 17757 U.S. Highway 19 North, Suite 660, Clearwater, Florida,
4 33757.

5

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

7 A. I am employed by Florida Power Corporation (FPC) as Manager of Regulatory
8 Evaluation and Planning.

9

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

12 A. Yes.

13

14 Q. What is the purpose of your testimony?

15 A. The purpose of my testimony is to compare the actual costs for implementing
16 programs during the October 1996 through September 1997 period with the
17 revenues collected pursuant to the energy conservation cost recover (ECCR)
18 factor over the same period.

1 **Q. For what programs does Florida Power Corporation seek recovery?**

2 **A. Florida Power seeks recovery pursuant to the Conservation Cost Recovery**
3 **Clause for the following new conservation programs most recently approved**
4 **by the Commission as part of FPC's DSM Plan:**

- 5 • Home Energy Check
- 6 • Home Energy Improvement
- 7 • Residential New Construction
- 8 • Energy Management (Residential and Commercial)
- 9 • Business Energy Check
- 10 • Better Business
- 11 • Commercial/Industrial New Construction
- 12 • Energy Monitor
- 13 • Innovation Incentive
- 14 • Standby Generation
- 15 • Interruptible Service
- 16 • Curtailable Service
- 17 • Technology Development
- 18 • Gas Demonstration
- 19 • Qualifying Facility

20 In addition to these current programs, Florida Power seeks recovery pursuant
21 to the Conservation Cost Recovery Clause for several old program offerings
22 that were still in place before the new programs began. To ensure a smooth
23 transition, these old programs were slowly phased out during the
24 implementation of the newer programs.

1 **Q. Will you please identify the old programs for which Florida Power seeks**
 2 **cost recovery during this true-up period?**

3 A. Yes. Only three old programs continued to incur costs during the October
 4 1996 through September 1997 period, while one old program shows a credit
 5 during that period. The programs are listed below.

<u>Full FPC Program Name</u>	<u>Program Name as Filed with FPSC</u>
Business Energy Analysis	Business Energy Analysis
Residential A/C Duct Test/Repair	Residential Blower Door
C/I A/C Duct Test/Repair	C/I Blower Door
C/I HVAC Replacement	C/I HVAC Allowance

11
 12 **Q. Do you have any exhibits to your testimony?**

13 A. Yes, my Exhibit No. 4 (MFJ-1) consists of two parts entitled, "Florida Power
 14 Corporation Energy Conservation Adjusted Net True-Up for the Period
 15 October, 1996 through March, 1997" and "Florida Power Corporation Energy
 16 Conservation Adjusted Net True-Up for the Period April 1997 through
 17 September 1997." There are nine schedules to this exhibit.

18
 19 **Q. Will you please explain your exhibit**

20 A. Yes. My exhibit presents Schedules CT-1 through CT-4 for each of the two
 21 six-month periods. These schedules set out the actual costs incurred for all
 22 programs during the October 1996 through March 1997 time period and the
 23 April 1997 through September 1997 time period. These pages also describe
 24 the variance from the estimate based on two months actual and four months
 25 projected to the actual costs for the same time period. Schedule CT-5,

1 consisting of 30 pages, provides a brief summary report for each program that
2 includes a program description, fiscal expenditures for the October 1996
3 through September 1997 period, program accomplishments over the same
4 period, and a summary of program progress.

5
6 **Q. Would you please discuss Schedule CT-1?**

7 **A. Yes.** Schedule CT-1 for the six-month period ending September 1997 shows
8 that Florida Power over-recovered \$14,075,034, including principal, interest,
9 and a revenue decoupling adjustment, in its Conservation Cost Recovery
10 Clause. This amount is \$7,774,660 more than what was previously projected.

11
12 **Q. Does this conclude your testimony?**

13 **A. Yes.**

**FLORIDA POWER CORPORATION
DOCKET No. 980002-EG**

**Energy Conservation Cost Recovery Factors
April 1998 through March 1999**

**DIRECT TESTIMONY OF
MICHAEL F. JACOB**

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

2 A. My name is Michael F. Jacob. My business address is Florida Power
3 Corporation, 17757 U.S. Highway 19 North, Suite 660, Clearwater,
4 Florida, 33764.

5

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

7 A. I am employed by Florida Power Corporation (FPC) as Manager of
8 Regulatory Evaluation and Planning.

9

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

12 A. Yes.

13

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

15 A. The purpose of my testimony is to describe the components and costs
16 of the Company's Demand-Side Management Plan as approved by the
17 Florida Public Service Commission. I will detail the projected costs for
18 implementing each program in that plan, explain how these costs are

1 presented in the attached exhibit, and show the resulting conservation
2 adjustment factors (in \$/1,000 kWh).

3
4 **Q. Do you have an exhibit to your testimony?**

5 **A. Yes, my Exhibit No. 4 (MFJ-1) is entitled, "Summary of Cost**
6 **Recovery Clause Calculations for the period April 1998 through March**
7 **1999" and consists of Schedules C-1 through C-5. Schedule C-1**
8 **provides a summary of cost recovery clause information and**
9 **calculations by retail rate schedule. Schedule C-2 provides the monthly**
10 **and total conservation program cost estimates during the April 1998**
11 **through March 1999 period for each conservation program, as well as**
12 **for common administration expenses. Additionally, Schedule C-2**
13 **presents the program costs by specific category (i.e. payroll, materials,**
14 **incentives, etc.) and includes a schedule of estimated capital**
15 **investments, depreciation and return for the period of April 1998**
16 **through March 1999. Schedule C-3 contains a detailed breakdown of**
17 **conservation program costs by specific category and by month for the**
18 **actual/estimated period of October and November 1997 (actual) and**
19 **December 1997 through March 1998 (estimated). In addition,**
20 **Schedule C-3 presents an Energy Conservation Adjustment Calculation**
21 **of True-Up and a Calculation of Interest Provision for the**
22 **actual/estimated period of October 1997 through March 1998.**
23 **Schedule C-4 projects Energy Conservation Cost Recovery (ECCR)**
24 **revenues during the April 1998 through March 1999 time period.**
25 **Schedule C-5 presents a brief summary of progress and expenditures**

1 for each program for which FPC seeks cost recovery as part of the
2 ECCR clause.

3
4 **Q. For what programs does FPC seek recovery?**

5 **A.** FPC is seeking to recover those costs allowed pursuant to Rule 25-
6 17.015 of the Florida Administrative Code, as adopted by the Florida
7 Public Service Commission, for each of the following programs as well
8 as for Conservation Program Administration (those common
9 administration expenses not specifically linked to an individual
10 program).

- 11 • Home Energy Check
- 12 • Home Energy Improvement
- 13 • Residential New Construction
- 14 • Energy Management (Includes Residential and Commercial
15 Energy Management and Load Management Switches.)
- 16 • Business Energy Check
- 17 • Better Business
- 18 • Commercial/Industrial New Construction
- 19 • Energy Monitor (No costs for this program have been included
20 in the projection period, since FPC intends to request approval
21 to discontinue the program.)
- 22 • Innovation Incentive
- 23 • Standby Generation
- 24 • Interruptible Service
- 25 • Curtailable Service

- Technology Development
- Gas Demonstration
- Qualifying Facility

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

A. Schedule C-2, Page 1 of 6, Line 22, shows total net program costs of \$80,276,541 for the April 1998 through March 1999 projection period. The following table summarizes Schedule C-1, Page 1 of 4, Lines 18 - 20, showing the projected conservation cost recovery charge per 1,000 kilowatt-hours by retail rate class for the time period April, 1998 through March, 1999.

Conservation Adjustment Factors (\$/1,000 kWh)

	Secondary	Primary	Transmission
Retail Rate Schedule	Voltage	Voltage	Voltage
Residential	\$3.23	N/A	N/A
General Service Non-Demand	\$2.09	\$2.07	\$2.05
General Service 100% Load Factor	\$1.55	N/A	N/A
General Service Demand	\$1.80	\$1.78	\$1.76
Curtable	\$1.56	\$1.54	\$1.53
Interruptible	\$1.48	\$1.47	\$1.45
Lighting	\$0.78	N/A	N/A

Q. Does this conclude your direct testimony?

A. Yes.

FLORIDA POWER CORPORATION
DOCKET No. 980002-EG
Revenue Decoupling True-up

DIRECT TESTIMONY OF
KARL H. WIELAND

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

2 **A. My name is Karl H. Wieland. My business address is Post Office Box**
3 **14042, St. Petersburg, Florida 33733.**

4

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

6 **A. I am employed by Florida Power Corporation as Director of Business**
7 **Planning.**

8

9 **Q. Have the duties and responsibilities of your position with the Company**
10 **remained the same since you last testified in this proceeding?**

11 **A. Yes.**

12

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

14 **A. My testimony covers three topics. First, I present the calculation of**
15 **the final true-up amount for residential revenue decoupling for 1996.**
16 **Second, I present the estimated amount for 1997. Third, I present the**
17 **calculation of the final estimated true-up balance of \$22,167,795**
18 **(under-recovery) which has been incorporated in the calculation of the**
19 **Energy Conservation Cost Recovery Factor.**

1 **Q. What is the final Revenue Decoupling true-up amount for 1996?**

2 **A.** The initial true-up amount for 1996 was an over-recovery of
3 \$10,344,843. The final true-up amount, based on the final revision of
4 1996 Florida total personal income, is an over-recovery of
5 \$11,996,739.

6
7 **Q. How was this amount calculated?**

8 **A.** The amount was computed in accordance with Commission Order No.
9 PSC-95-0097-FOF-EI and is based on revised estimates of actual 1996
10 Florida personal income as released in November 1997. The final
11 estimate (in millions of 1987\$) is \$257,629 compared to the approved
12 base value of \$248,242. Applying the regression coefficient of 0.0232
13 which relates personal income to residential usage raises the approved
14 base level residential use per customer of 13,092 by 218 kWh. The
15 final 1996 targeted level of residential kWh use per customer becomes
16 13,310. This usage, priced at residential rates and multiplied by actual
17 average customers produces a revenue target of \$730,548,187.
18 Actual base revenues collected in 1996 were \$742,544,926. The
19 difference between these two figures is the 1996 true-up amount of
20 \$11,996,739. Detailed monthly calculations for the 1996 calendar
21 year are presented on Sheet 1 of the attached exhibit .

22
23 **Q. What factors caused the over-recovery?**

24 **A.** Unseasonably cold weather in the first four months of the year
25 followed by a warmer than normal May and June resulted in actual

1 revenues for the six months being above target by \$25 million. The
2 second half of the year had cooler than normal summer months and
3 mild fall and winter months, reducing the over-recovery to \$12 million.
4

5 **Q. What is the final estimated Revenue Decoupling true-up amount for**
6 **1997?**

7 **A. The final estimated true-up amount for 1997 is an under-recovery of**
8 **\$22,905,204.**

9
10 **Q. How was the 1997 amount calculated?**

11 **A. The amount was computed in the same manner as the 1996 balance**
12 **and is based on published estimates of 1997 Florida personal income**
13 **for the first two quarters and projected income for the third and fourth**
14 **quarters. The estimated 1997 Florida personal income value (in**
15 **millions of 1987\$) is \$266,196 compared to the 1997 approved base**
16 **level of \$256,335 resulting in an upward adjustment of 205 kWh to**
17 **the approved base level use per customer level of 13,289. The**
18 **recoupling adjustment was derived using the initial model coefficient of**
19 **0.0208. The 1997 targeted level of residential use per customer**
20 **becomes 13,494 kWh. The actual annual usage per residential**
21 **customer in 1997 was 13,156 kWh. The difference of 468 kWh is**
22 **weather related and is the reason for the under-recovery. Average**
23 **annual residential customers in 1997 were 1,158,168, resulting in a**
24 **revenue target of \$751,257,201. Actual residential base revenues in**
25 **1997 were \$728,351,997 for an under-collection of \$22,905,204.**

1 Detailed monthly calculations of the 1997 true-up amount are
2 presented on Sheet 3 of my exhibit.

3
4 **Q. What factors caused the under-recovery?**

5 **A.** Unusually mild weather in both the heating and cooling seasons caused
6 the under-recovery. Actual heating degree days for 1997 were 443
7 versus a normal of 567, a difference of 22%. Actual cooling degree
8 days were 3,434 which is 7% below the normal 3,697.

9
10 **Q. How was the under-recovery of \$22,167,795 calculated?**

11 **A.** The calculation is shown on Sheet 5 of my exhibit.

12
13 **Q. How is the Company proposing to recover the under-collected amount?**

14 **A.** The normal amortization period for decoupling is 12 months, however
15 the Company proposes to collect the \$22.2 million over a 24-month
16 period. This is accomplished by dividing the \$22.2 million balance by
17 residential sales during April 1998 through March 2000 and multiplying
18 the result by residential sales in the 12 month period April 1988
19 through March 1999. The resulting \$10,906,036 is included in the
20 calculation of the final ECCR factor for April 1998 through March
21 1999.

22
23 **Q. Why is the Company proposing to extend recovery of the revenue**
24 **decoupling amount?**

1 A. The Company is proposing an extended recovery in order to limit the
2 rate increase residential customers would experience otherwise.
3 Although normal rates for the upcoming period are lower than in the
4 current period, the potential recovery of stipulated replacement fuel
5 costs associated with the outage of the Crystal River 3 nuclear plant
6 during the projection period, which is discussed in the Company's fuel
7 filing, would add approximately \$1.10 to the typical residential bill.
8 Recovery of the full decoupling amount over 12 months would add
9 another \$1.39, for a total additional charge of \$2.49 and an increase
10 in the typical bill of \$1.63. Spreading the revenue decoupling
11 collection over 24 months reduces that component to \$0.68 and the
12 total to \$1.78. As shown on Schedule E-10 in Part G of my exhibit in
13 the Company's fuel filing, the total increase in the residential bill with
14 the stipulated replacement fuel cost charge in place and the longer 24-
15 month recovery period for decoupling will be \$0.89 or 1%.

16
17 **Q. Will the 24-month recovery extend the decoupling experiment?**

18 A. No. As explained earlier, the economic true-up provision will require
19 a rate adjustment in the April 1999 through March 2000 period. The
20 effect of revenue decoupling on rates will end at the same time as long
21 as the recovery period for the current true-up amount is 24 months or
22 less.

23
24 **Q. Would you please summarize the results of the three year decoupling**
25 **experiment?**

1 A. Yes. Although there were sizeable over and under-recoveries in the
 2 individual years, the total difference between actual base revenues and
 3 the decoupling target for the three-year period was a remarkably small
 4 \$337,797, which represents less than 0.02% of residential base
 5 revenues for the period. With interest, customers will receive a net
 6 refund of \$122,317 for the three years. Similarly, the weather,
 7 measured by degree days, differed from the average significantly in
 8 individual years and even within a year, but was within 1.1% of normal
 9 for the three-year period. The difference between actual revenues and
 10 target revenues in each of the three years is summarized here and
 11 presented in more detail on Sheet 5 of my exhibit.

Year	Amount*
1995	\$ 10,570,668
1996	\$ 11,996,738
1997	\$(22,905,204)
Total	\$ 337,798

* excluding interest

18
 19 Q. Does this conclude the three year experiment?

20 A. Yes. Beginning with January, 1998, the Company will no longer be
 21 recording revenue decoupling amounts. Since the amounts for 1997
 22 are only estimates at this time, the final true-up process for 1997 will
 23 not conclude until final economic data for 1997 becomes available in
 24 November of 1998. The final true-up for 1997 will be presented to the
 25 Commission for approval this time next year, and any final true-up

1 amounts will be incorporated in the ECCR filing for the April 1999 -
2 March 2000 period. An analysis of the decoupling experiment, as
3 required by the Commission order approving the experiment, will be
4 conducted by Staff during 1998 and presented to the Commission.

5

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

7 **A. Yes, it does.**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**FLORIDA POWER & LIGHT COMPANY****TESTIMONY OF LEONOR M. BUSTO****DOCKET NO. 970002-EG****November 19, 1997**

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

2 A. My name is Leonor M. Busto, and my business address is: 9250 West Flagler
3 Street, Miami, Florida 33174.

4

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

6 A. I am employed by Florida Power & Light Company (FPL) as an Administration
7 and Regulatory Supervisor.

8

9 **Q. Have you previously testified in this docket?**

10 A. Yes, I have.

11

12 **Q. What are your responsibilities and duties as an Administration and
13 Regulatory Supervisor?**

14 A. I am responsible for Regulatory and Administration Support of the Marketing
15 Programs, including all training, budgeting, accounting and system support
16 function related to the Demand Side Management programs. I am also

1 responsible for preparing the Energy Conservation Cost Recovery (ECCR)
2 Forecast and True-Up.

3

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

5 A. The purpose of my testimony is to submit for Commission review and approval (1)
6 the net underrecovery to be carried forward in the April 1998 through March 1999
7 period and (2) the conservation-related revenues and costs associated with FPL's
8 energy conservation programs for the period October 1, 1996 through
9 September 30, 1997.

10

11 **Q. Are you sponsoring an exhibit in connection with your testimony?**

12 A. Yes. I am sponsoring Exhibit LMB-1, which consists of Schedules CT-1 through
13 CT-6. While I am sponsoring all of Exhibit LMB-1, parts of the exhibit were
14 prepared by Mr. David Wasielewski, Senior Accountant, who is available to
15 respond to any questions which the parties or the Commission may have regarding
16 those parts. Exhibit LMB-1, Table of Contents, Page 1 of 1, identifies the portions
17 prepared by Mr. Wasielewski and by me.

18

19 **Q. What is the adjusted net true-up amount which FPL is requesting for the**
20 **October 1996 through September 1997 period?**

21 A. FPL has calculated and is requesting approval of an underrecovery of
22 \$2,943,933 as the adjusted net true-up amount for the October 1996 through
23 September 1997 period. FPL seeks to carry forward this underrecovery to the

1 calculation of its Conservation Cost Recovery factor for the April 1998 through
2 March 1999 period.

3

4 **Q. How was this adjusted net true-up for the October 1996 through September**
5 **1997 period calculated?**

6 A. Consistent with the Commission's directive in Order No. PSC-93-0709-FOF-EG,
7 FPL calculated a "final" true-up for the October 1996 through September 1997
8 period. The calculation is shown on Schedule CT-1, Pages 1 through 3.

9

10 Page 1 of 3 of Schedule CT-1 shows the calculation of the final true-up for the first
11 six months of the period. Page 2 of 3 of Schedule CT-1 shows the calculation of
12 the final true-up for the second six months of the period. Please note that for the
13 second six month period, unlike the first six month period, there is no previously
14 approved Estimated/Actual true-up; consequently, the final true-up for the second
15 six month period is the actual variance between expenses and revenues plus the
16 applicable interest.

17

18 To calculate the adjusted net true-up for the entire period October 1996 through
19 September 1997, the final true-up for the first six months, an underrecovery of
20 \$507,801, was added to the final true-up for the second six months, an
21 underrecovery of \$2,436,130 resulting in a net underrecovery of \$2,943,933. This
22 calculation is shown on Page 3 of 3 Schedule CT-1.

1 Q. Your answer to the prior question supports an underrecovery of \$2,943,933
2 for the period October 1996 through September 1997 to be carried forward
3 and collected from the customers during the April 1998 through March 1999
4 period. However, Schedule CT-3, Page 5 of 6, Line 11, shows an end of
5 period underrecovery of \$11,475,154 at September 30, 1997. Please explain
6 the difference.

7 A. The amounts, while related, are not and should not be the same. The first amount
8 shows the underrecovery for a period of time, while the second amount shows the
9 net over/underrecovery position at the end of the period.

10

11 The \$2,943,933 shown on Schedule CT-1, Page 3 of 3, represents the
12 underrecovery for the 12 month period ended September 30, 1997. The
13 \$11,475,154 shown on Schedule CT-3, Page 5 of 6, Line 11, represents the net of
14 period underrecovery at a specific moment in time, September 30, 1997. The
15 difference between these two amounts is \$8,531,223.

16

17 In calculating FPL's current factor, the Commission approved an underrecovery of
18 \$17,062,446, which FPL is collecting in the current 12 month period. As of
19 September 30, 1997, half of that \$17,062,446 has been collected, and the other
20 half (\$8,531,223), will be collected over the remaining six months. The sum of
21 the underrecovery for the 12 month period ended September 30, 1997,
22 (\$2,943,933) and the remaining portion of the Commission approved
23 underrecovery (\$8,531,223), which is being collected over the remaining six

1 months, is the balance of \$11,475,154 at September 30, 1997, the end of the
2 period.

3

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

5 A. Yes they are.

6

7 **Q. How did your actual program expenditures for October 1996 through**
8 **September 1997 compare to the Estimated/Actual and original estimated**
9 **projections for that period presented at the March 1997 Hearing?**

10 A. At the March 1997 Hearing, total expenditures for October 1996 through March
11 1997 were projected to be \$78,205,171 and April 1997 through September 1997
12 were projected to be \$95,529,649, for a period total of \$173,734,820. The actual
13 expenditures for October 1996 through March 1997 were \$78,024,909 and April
14 1997 through September 1997 were \$93,551,294, for a period total of
15 \$171,576,203. This represents a period variance of \$2,158,617 less than
16 projected. This variance is shown on Schedule CT-2, Page 4 of 4, Line 33, and is
17 explained in Schedule CT-6.

18

19 **Q. Was the calculation of the adjusted net true-up amount for the period**
20 **October 1996 through September 1997 period performed consistently with**
21 **the prior true-up calculations in this and the predecessor conservation cost**
22 **recovery dockets?**

23 A. FPL's adjusted net true-up was calculated consistent with the methodology set
24 forth in Schedule 1, page 2 of 2 attached to Order No. 10093, dated June 19, 1981,

1 but it was adapted to reflect that there was no Estimated/Actual true-up for part of
2 the final true-up period. The schedules prepared under the direct supervision of
3 Mr. Wasielewski detail this calculation.

4

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

7 A. Unless otherwise indicated, the data used in calculating the adjusted net true-up
8 amount is taken from the books and records of FPL. The books and records are
9 kept in the regular course of our business in accordance with generally accepted
10 accounting principles and practices, and provisions of the Uniform System of
11 Accounts as prescribed by this Commission.

12

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

14 A. Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**FLORIDA POWER & LIGHT COMPANY****TESTIMONY OF LEONOR M. BUSTO****DOCKET NO. 980002-EG****JANUARY 13, 1998**

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

2 A. My name is Leonor M. Busto, and my business address is: 9250 West Flagler
3 Street, Miami, Florida 33174.

4

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

6 A. I am employed by Florida Power & Light Company (FPL) as an Administration
7 and Regulatory Supervisor.

8

9 **Q. Are you the same Leonor M. Busto who testified in Docket No. 970002-EG?**

10 Yes, I am.

11

12 **Q. What are your responsibilities and duties as an Administration and
13 Regulatory Supervisor?**

14 A. I am responsible for Regulatory and Administration Support of the Marketing
15 Programs, including all training, budgeting, accounting and system support
16 function related to the Demand Side Management programs. I am also
17 responsible for preparing the Energy Conservation Cost Recovery (ECCR)
18 Forecast, True-Up and Testimony.

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

2 A. The purpose is to submit for Commission review and approval the projected
3 ECCR costs to be incurred by FPL during the months of April 1998 through
4 March 1999, as well as the actual/estimated ECCR costs for October 1997
5 through March 1998, for our Demand Side Management programs. I also present
6 the total level of costs FPL seeks to recover through its Conservation Factors
7 during the period April 1998 through March 1999, as well as the Conservation
8 Factors which, when applied to our customers' bills during the period April 1998
9 through March 1999, will permit the recovery of total ECCR costs.

10

11 **Q. Are you sponsoring an exhibit in connection with your testimony?**

12 A. Yes, I am sponsoring Exhibit LMB-2, which consists of Schedules C-1 through
13 C-5. While I am sponsoring all of Exhibit LMB-2, parts of the exhibit were
14 prepared by Mr. David Wasielewski, Senior Accountant, and Ms. Korel M.
15 Dubin, Manager of Rates and Tariff Administration, who are available to
16 respond to any questions which the parties or the Commission may have
17 regarding those parts. Exhibit LMB-2, Table of Contents, Page 1 of 1, identifies
18 the portion prepared by Mr. Wasielewski, Ms. Dubin and me.

19

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

22 A. Yes they are.

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

3 A. The actual expenditures for the months October and November 1997 are taken
4 from the books and records of FPL. Expenditures for the months of December
5 1997 through March 1998 and April 1998 through March 1999 are projections
6 based upon a detailed month-by-month analysis of the expenditures expected for
7 each program at each location within FPL where such costs are incurred. These
8 projections are developed by each FPL location where costs are incurred and take
9 into consideration not only cost levels but also market penetrations. They have
10 been subjected to FPL's budgeting process and an on-going cost-justification
11 process.

12

13 **Q. In the last Conservation Cost Recovery Order, the Commission deferred**
14 **until this proceeding the issue of whether utilities should be allowed, on a**
15 **prospective basis, to recover costs through the ECCR for studies or analyses**
16 **comparing natural gas applications and electric applications. Should**
17 **utilities be allowed to recover such costs through ECCR?**

18 A. Recovery of such costs through the ECCR for comparisons of customer specific,
19 gas versus electric applications should be limited to analyses that (1) are
20 performed pursuant to an approved Commission DSM Program, (2) promote a
21 measure which is part of or eligible for an approved DSM Program, and (3)
22 provide accurate and helpful information to the customer. Analyses performed
23 which are outside the scope of an approved conservation program are not
24 properly recovered through the ECCR, for FEECA requires Commission

1 approval of programs and authorizes recovery of only the costs of approved
2 programs. The costs for gas versus electric application comparisons that do not
3 examine applications that are offered in or eligible for an approved program by
4 the utility performing the comparison should not be recovered through the ECCR,
5 for they cannot be characterized as costs of promotion of an approved
6 conservation measure or program. The costs for analyses which are misleading or
7 inaccurate have little or no value to customers, do not serve to promote cost-
8 effective DSM, and should not be paid for by customers.

9

10 **Q. Does FPL perform gas versus electric application comparisons for**
11 **customers?**

12 A. Yes. It has performed such analyses for a number of years. From 1992 through
13 March 1997, FPL performed 44 such customer specific gas versus electric
14 comparison analyses.

15

16 **Q. Has FPL recovered the costs of gas versus electric application comparisons**
17 **for customers through its ECCR clause?**

18 A. Yes, however, most of the costs of these gas versus electric comparisons were not
19 recovered through FPL's ECCR. Of the 44 comparisons performed from 1992
20 through March 1997, FPL has recovered through its ECCR clause the costs for
21 only 13 such analyses. The reason the other studies were not recovered through
22 FPL's ECCR clause is that they were not performed pursuant to an approved FPL
23 conservation program.

1 **Q. Pursuant to what approved DSM Program does FPL offer customer specific**
2 **gas versus electric application comparisons?**

3 A. FPL offers customer specific gas versus electric application comparisons
4 pursuant to its Business Energy Evaluation ("BEE") Program. Such comparisons
5 are clearly within the scope of the BEE Program approved by the Commission.
6 The program description for the BEE program states "[t]he Business Energy
7 Evaluation program is designed to encourage energy efficiency in commercial
8 and industrial facilities by identifying DSM opportunities and providing
9 recommendations to the customer. Energy efficiency encompasses *analysis of all*
10 *energy sources* and customer energy-related productivity."
11

12 The BEE Program is an energy audit program that is offered by FPL primarily as
13 a means of encouraging its commercial and industrial customers to undertake
14 cost-effective DSM. Through the use of a free or limited cost energy audit, FPL
15 identifies instances where customers can improve their energy efficiency, and it
16 uses the audit findings to make the customer aware of DSM applications for
17 which they are eligible in FPL's approved DSM Programs. In short, the audit
18 program is used to promote customer participation in FPL DSM Programs. In
19 that regard, it has been most effective.

20
21 **Q. How often is a gas versus electric application comparison performed in a**
22 **BEE energy audit?**

23 A. Very seldom. From January 1992 through March 1997, FPL performed 29,473

1 BEE energy audits, and gas versus electric application comparisons were
2 performed in only 13 of these audits. Thus a customer specific, gas versus
3 electric comparison was performed in 1 out of every 2,267 BEE audits.

4
5 Several factors account for the low percentage of BEE audits in which gas versus
6 electric analyses are performed. First, it is clear that FPL is not using the BEE
7 audit program as a tool to compete with gas (if it were, it could not be said FPL
8 was using the tool very effectively). Second, many of FPL's customers do not
9 have gas available to them, so consideration of a gas alternative is not an option.
10 Third, many applications which are addressed in the BEE audits do not have an
11 alternative gas applications, such as lighting. Fourth, typically, FPL does not
12 offer to analyze a gas option unless the customer requests it or has expressed an
13 interest in considering a gas alternative. Fifth, FPL has consistently found from
14 its studies that gas applications are not cost-effective to electric customers except
15 in limited circumstances, so it has not incorporated a routine gas versus electric
16 comparison in its BEE analysis.

17
18 **Q. Has FPL actually recommended a gas application to a customer instead of**
19 **an electric application?**

20 A. Yes. In several instances FPL has recommended gas application instead of an
21 electric application. FPL would do so in a BEE audit if the gas application were
22 more cost effective.

- 1 Q. It has been suggested that the cost of customer specific, gas versus electric
2 comparisons should not be recovered through the ECCR because they
3 reflect competitive costs and competitive costs should not be through
4 the ECCR. What is your reaction?
- 5 A. I have several reactions. First, given the small number of such analyses being
6 performed, and the much smaller number of such analyses being recovered
7 through the ECCR clause, I am surprised that this is being raised as an issue.
8 Second, the facts do not bear out the idea that gas versus electric application
9 comparisons are performed for competitive purposes rather than the purpose of
10 promoting cost-effective DSM. Third, while the offering of DSM programs
11 necessarily has some impact on the competition between gas and electric
12 companies, as long as the programs are promoting conservation applications
13 which are cost effective to customers and which reduce the consumption of the
14 product of the offering utility, DSM programs should be allowed to accomplish
15 their primary purpose of conservation without regard to their impact on
16 competition. Fourth, the costs for programs reviewed by and approved by the
17 Commission should be recovered unless imprudent or unreasonable. Fifth, the
18 Commission has not been asked by the Legislature to police competition between
19 the gas and electric utility industries, so the consideration of the competitive
20 impacts of the operation of DSM programs is simply not an appropriate
21 consideration in cost recovery for DSM programs. Sixth, FPL customers who
22 receive said analyses greatly benefit when they are faced with the complex choice
23 between gas and electric alternatives.

1 Q. Why do you conclude that the facts do not bear out the conclusion that gas
2 versus electric comparisons are offered primarily as competitive tools rather
3 than to promote competition?

4 A. If FPL were using BEE audits primarily as a competitive tool to compete with
5 gas, the number of gas versus electric comparisons in BEE audits would be much
6 higher than 1 out of every 2,267. Moreover, FPL has actually recommended gas
7 application over electric applications. It is clear from the facts that the purpose of
8 the audit program and the limited, customer specific gas versus electric
9 comparisons is to promote cost-effective DSM and to assist customers in
10 addressing their energy efficiency questions.

11

12 Q. What is the basis for your statement that as long as gas versus electric
13 comparisons have the primary effect of promoting cost-effective DSM
14 measures their impact on gas versus electric competition should be
15 disregarded?

16 A. The Commission has approved aggressive DSM goals for electric utilities. It has
17 even indicated that it will consider penalizing electric utilities for a failure to
18 achieve these aggressive goals. The clear message communicated by the
19 Commission to the electric utilities is to be aggressive in their offering of cost-
20 effective DSM. Performing gas versus electric comparisons for customers who
21 are considering FPL DSM alternatives as well as a gas alternative is the
22 promotion of cost-effective DSM. It meets the utilities responsibility to promote
23 their DSM programs. It accomplishes the Commission's mandate to aggressively
24 promote DSM.

1 Whether such an analysis has an impact on competition between gas and electric
2 companies is, with all due respect, irrelevant to the Commission's statutory
3 responsibilities. There is no language in FEECA which suggests that the
4 Commission is to police gas and electric utility competition. In fact, there is no
5 such language in Chapter 366, The Chapter under which the Commission
6 regulates both electric and gas utilities. The commission's responsibility under
7 Chapter 366 is to protect customers from excessive rates or unreasonable
8 practices in providing gas or electric service. There is no responsibility assigned
9 the Commission to police gas versus electric competition or to protect one
10 industry from the other. Thus, the Legislature intends for the Commission to be
11 indifferent as to the impact of DSM on gas versus electric competition and
12 instead, to focus on whether DSM accomplishes the purpose of FEECA.

13

14 **Q. But shouldn't the Commission be responsible for reviewing whether the**
15 **promotion of DSM is accurate and helpful to customers?**

16 **A.** Absolutely, but that is an entirely different issue than the issue of whether DSM
17 has competitive impacts. DSM promotion should be accurate, or it will not
18 accomplish the underlying purpose of FEECA, the promotion of cost-effective
19 DSM. That is why I suggested earlier that one of the criteria for determining
20 whether gas versus electric comparisons should be recovered through the ECCR
21 was whether the comparison was accurate and helpful to the customer. If it is
22 not, the cost should be denied recovery, not because of the potential impact on
23 gas versus electric competition, but because it does not accomplish the
24 underlying purpose of FEECA, the promotion of cost-effective DSM.

1 **Q. Does FPL agree that the Energy Conservation Cost Recovery period should**
2 **be changed from April through March to a calendar year (January through**
3 **December)?**

4 A. While FPL supports a change in the Energy Conservation Cost Recovery filing to
5 the calendar year, our existing forecasting and tracking processes and systems do
6 not correlate with the proposed reporting period. FPL would like to discuss
7 amending the Commission's detailed reporting requirements to accommodate this
8 change.

9

10 **Q. Are there any other requirements that may need to be amended?**

11 A. Yes. FPL believes that Rule 25-17.015, F.A.C., may need to be amended to
12 accommodate the changes to the schedule for the Commission proceedings and
13 for the changes to the recovery period.

14

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

16 A. Yes, it does.

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 970002-EG
DETERMINATION OF CONSERVATION COSTS RECOVERY FACTOR

Direct Testimony of
MICHAEL A. PEACOCK

On Behalf of
FLORIDA PUBLIC UTILITIES COMPANY

- 1 Q. Please state your name and business address.
- 2 A. Michael A. Peacock: my business address is P.O. Box 610
3 Marianna, Florida 32446.
- 4 Q. By whom are you employed and in what capacity?
- 5 A. I am employed by Florida Public Utilities Company as
6 Manager of Customer Relations.
- 7 Q. What is the purpose of your testimony at this time?
- 8 A. To Advise the Commission of the actual over/under
9 recovery of the Conservation Program costs for the period
10 October 1, 1996 through September 30, 1997 as compared to
11 the true-up amounts previously reported for that period
12 which were based on two months actual and ten months
13 estimated data.
- 14 Q. Please state the actual amounts of over/under recovery of
15 Conservation Program costs for both divisions of Florida
16 Public Utilities Company for October 1, 1996 through
17 September 30, 1997.
- 18 A. The Company over-recovered \$56,065 in the Marianna

1 Division during that period. In the Fernandina Beach
2 Division we over-recovered \$50,545. These amounts are
3 substantiated on Schedule CT-3, page 2 of 3, Energy
4 Conservation Adjustment.

5 Q. How do these amounts compare with the estimated true-up
6 amounts which were allowed by the Commission during the
7 February 1997 hearing?

8 A. We had estimated that we would under-recover \$128,645 in
9 Marianna. In Fernandina Beach we had estimated an under-
10 recovery of \$162,243 as of September 30, 1997.

11 Q. Have you prepared any exhibits at this time?

12 A. We have prepared and pre-filed Schedules CT-1, CT-2,
13 CT-3, CT-4, CT-5 and CT-6 (Composite Exhibit MAP-2).

14 Q. Does this conclude your testimony?

15 A. Yes.

16

17 Disk Conservation 11-97

18 Peacocktest.1197

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 980002-EG
DETERMINATION OF CONSERVATION COSTS RECOVERY FACTOR

Direct Testimony of
MICHAEL A. PEACOCK
On Behalf of
FLORIDA PUBLIC UTILITIES COMPANY

- 1 Q. Please state your name and business address.
- 2 A. Michael A. Peacock: my business address is P.O.
- 3 Box 610 Marianna, Florida 32446.
- 4 Q. By whom are you employed and in what capacity?
- 5 A. I am employed by Florida Public Utilities
- 6 Company as Manager of Customer Relations.
- 7 Q. What is the purpose of your testimony at this
- 8 time?
- 9 A. To Advise the Commission as to the Conservation
- 10 Cost Recover Clause Calculation for the period
- 11 April 1998 through March, 1999.
- 12 Q. What respectively are the total projected costs
- 13 for the period April, 1998 through March, 1999
- 14 in the Marianna Division and the Fernandina
- 15 Beach Division?
- 16 A. For the Marianna Division, the total projected
- 17 Conservation Program Costs are \$96,000. For the
- 18 Fernandina Beach Division, the total projected
- 19 Conservation Program Costs are \$92,400. For

1 each Division, please see its respective
2 Schedule C-2, page 2, for the programmatic and
3 functional breakdown of these total costs.

4 Q. For each division, what is the true-up amount to
5 be applied to determine the projected net total
6 costs for the period October, 1997 through
7 September, 1998.

8 A. As reflected in the respective "C" Schedules,
9 the true-up amount for the Marianna Division is
10 \$9,652. In the Fernandina Beach Division the
11 true-up is (\$8,575). These amounts are based
12 upon two months actual and ten months estimated
13 data.

14 Q. For each division, what are the resulting net
15 total projected conservation costs to be
16 recovered during this period?

17 A. For the Marianna Division the net total costs
18 to be recovered are \$105,652. For the
19 Fernandina Beach Division the net total costs
20 to be recovered are \$83,825.

21 Q. For each division, what is the Conservation
22 Adjustment Factor necessary to recover these
23 projected net total costs?

24 A. For the Marianna Division, the Conservation
25 Adjustment Factor is \$.00038 per KWH. For the
26 Fernandina Beach Division, the factor is

1 \$.00024 per KWH.

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

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

9 Q. Does this conclude your testimony?

10 A. Yes

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12 conservation disk/peactest.1297)

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1 Gulf Power Company

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony of
4 Margaret D. Neyman
5 Docket No. 970002-EG
6 November 19, 1997

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

9 A. My name is Margaret D. Neyman and my business address is
10 One Energy Place, Pensacola, Florida 32520. I am
11 employed by Gulf Power Company as the Marketing Services
12 Manager.

13 Q. Ms. Neyman, for what purpose are you appearing before
14 this Commission today?

15 A. I am testifying before this Commission on behalf of Gulf
16 Power Company regarding matters related to the Energy
17 Conservation Cost Recovery Clause, specifically the
18 approved programs for October, 1996, through September,
19 1997.

20
21 Q. Are you familiar with the documents concerning the
22 Energy Conservation Cost Recovery Clause and its related
23 true-up and interest provisions?

24 A. Yes, I am.
25

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

3 A. Yes, I have.

4 Counsel: We ask that Ms. Neyman's exhibit consisting of
5 6 Schedules, CT-1 thorough CT-6, be marked for
6 identification as:

7 Exhibit No. 9 (MDN-1)
8

9 Q. Do you have any other exhibits to which you will be
10 referring in the course of your testimony?

11 A. Yes. I will be referring to Gulf's answer to Staff's
12 First Set of Interrogatories, Docket 970002-EG, October
13 30, 1996, Item number 1.

14 Counsel: We ask that Ms. Neyman's exhibit consisting of
15 Gulf's answer to Staff's First Set of
16 Interrogatories, Docket 970002-EG, October 30,
17 1996, Item number 1, be marked for
18 identification as:

19 Exhibit No. 10 (MDN-2)
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1 Q. Would you summarize for this Commission the deviations
2 resulting from the actual expenditures for this recovery
3 period and the original estimates of expenses?

4 A. The budgeted net expenses for the entire recovery period
5 October, 1996, through September, 1997, were \$3,354,655,
6 while the actual costs were \$2,822,416 resulting in a
7 variance of \$532,239 or 15.9% under budget.

8

9 Q. Ms. Neyman, would you explain the October, 1996, through
10 September, 1997, variance?

11 A. Yes, the major reasons for this variance are a decrease
12 in expenses in Research and Development, under \$29,168;
13 In Concert with the Environment, under \$122,189; Good
14 Cents Environmental Home, under \$67,272; Duct Leakage,
15 under \$25,867; Geothermal Heat Pump, under \$138,158;
16 Advanced Energy Management, under \$80,360;
17 Commercial/Industrial E.A. & T.A.A., under \$80,401;
18 Commercial Mail-in Energy Audit, under \$108,995; Solar
19 for Schools, under \$13,324; and Gas Research, under
20 \$8,600. However, these programs are offset by
21 Residential Energy Audits, over \$43,631; Gulf Express,
22 over \$31,386; and Commercial/Industrial Good Cents
23 Buildings, over \$67,078; resulting in the previously
24 referenced variance of \$532,239 under budget. A more

1 detailed description of the deviations are contained in
2 Schedule CT-6.

3

4 Q. Ms. Neyman, what was Gulf's adjusted net true-up for the
5 period October, 1996, through September, 1997?

6 A. There was an over-recovery of \$520,590 as shown on
7 Schedule CT-1, page 1.

8

9 Q. Would you describe the results of your programs during
10 the October, 1996, through September, 1997, recovery
11 period?

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

16 (A) Home Energy Audits - During this period, we
17 projected to audit 3,200 structures. We actually
18 completed 2,336.

19 (B) Gulf Express Loan Program - During this recovery
20 period, a total of 374 loans were completed compared
21 to a budget of 300 or 74 loans above the goal.

22 (C) In Concert With The Environment - During this
23 recovery period, 607 students attended the program
24 compared to a projection of 4,000 students.

25

- 1 (D) Good Cents Environmental Home - During this
2 recovery period, no homes were completed compared
3 to a projection of 42.
- 4 (E) Duct Leakage Program - During this recovery period,
5 10 homes were completed compared to a projection of
6 107.
- 7 (F) Geothermal Heat Pump - During this recovery period,
8 a total of 121 heat pumps were installed compared
9 to a projection of 152 for a deviation of 31 units
10 under goal.
- 11 (G) Good Cents Building - During this recovery period a
12 total of 216 buildings were built or improved to
13 Good Cents standards, compared to a budget of 244
14 or 28 units below goal.
- 15 (H) Energy Audits and Technical Assistance Audits -
16 During this recovery period, a total of 208 EA/TAA
17 were completed compared to a projection of 365 for
18 a deviation of 157 units under goal.
- 19 (I) Commercial/Industrial Mail-in Audit - This program
20 was approved January 7, 1997, in Docket 960897-EI.
21 For the recovery period following the program
22 approval, 500 mail-in audits were projected
23 compared to 313 mail-in audits being completed for
24 a deviation of 187 mail-in audits below goal.
25

- 1 (J) Solar for Schools - During this recovery period,
2 the first Solar for Schools project was evaluated
3 as was the mechanism to obtain customer
4 contributions for solar projects.
- 5 (K) Conservation Demonstration and Development -
6 Twenty-two research projects have been identified
7 and are detailed in Schedule CT-6.
- 8 (L) Gas Research and Development - Gulf Power has
9 completed research in four individual research and
10 demonstration projects. Project details are
11 explained in Schedule C-5 in accordance with Docket
12 No. 950520-EG, Order No. PSC-95-1146-FOF-EG.
- 13 (M) Advanced Energy Management - During this recovery
14 period, no units were installed. Startup of this
15 program has been delayed until 1998 due to
16 equipment delays.
- 17
- 18 Q. Could you tell us more about the delays in implementing
19 AEM?
- 20 A. Initially, startup of the AEM program was delayed
21 pending a final order in Docket No. 941172-EG which
22 caused a delay in Gulf's issuance of an AEM equipment
23 RFP. Once the RFP was issued, the contract negotiation
24 process took longer than expected in order to insure
25 that Gulf received the best possible AEM technological

1 solution and the best price. Gulf Power signed a
2 contract with Scientific Atlanta (SA) in September,
3 1996, which called for delivery of prototype units for
4 field testing in March, 1997, and full production units
5 in June, 1997.

6

7 Q. Please describe the AEM equipment components.

8 A. The AEM system is to include field units utilizing a
9 communication gateway, a radio frequency (RF) based
10 Local Area Network (LAN), major appliance load control
11 relays, and a proprietary, programmable thermostat
12 (Superstat), all operating at the consumer's home.

13

14 Q. Please tell us about the equipment delays.

15 A. Early in 1997, SA advised Gulf that the delivery of
16 units would be delayed due to the inability of suppliers
17 to provide some components on the established schedule.
18 Despite Gulf's best efforts to remedy SA's delays and
19 the negotiation of penalties for late delivery, in
20 August, 1997, SA also advised Gulf that no field units
21 utilizing an RF-based LAN would be available earlier
22 than mid to late 1998. Gulf negotiated conditions which
23 allowed for an interim solution, accompanied by a price
24 reduction due to SA's failure to comply with the RF-
25 based requirements and their overall failure to deliver

1 any usable product within the time provisions specified
2 in the contract. As part of these revised provisions,
3 SA was to deliver field units for testing in mid-
4 October, 1997, with the first batch of production units
5 to be delivered during the first quarter of 1998.

6
7 As of November 15, 1997, the expected prototype units
8 had still not been delivered due to failures of
9 electronic components during testing. SA still contends
10 that production units will be delivered during the first
11 quarter of 1998, but Gulf now believes that there is a
12 reasonable probability that production units will not
13 arrive until second quarter, 1998.

14
15 Q. How do these equipment delays impact Gulf's AEM program
16 and its rescheduled conservation goals?

17 A. Despite the unpreventable delays that have occurred,
18 Gulf still believes that the AEM System is a viable
19 program. Gulf is modifying its schedule for market
20 implementation as a result of the delays and plans to
21 increase the number of units deployed during the years
22 1999 to 2003 to still accomplish the basic program
23 objective of achieving a total of 80,000 kilowatts of
24 peak demand reduction by year end 2004.

25

1 Gulf's near term residential conservation goals have
2 been adversely impacted as a result of the delays in
3 implementing AEM, but the process has produced the most
4 cost-effective solution that is currently possible. In
5 the longer term, Gulf fully expects to catch up on a
6 cumulative basis in subsequent periods.

7
8 Q. In Docket 960002-EG, Gulf provided an update of the cost
9 effectiveness of its ECCR programs in response to
10 Question 1 of Staff's First Set of Interrogatories,
11 dated October 30, 1996. What steps has the company
12 taken to improve the cost effectiveness of these
13 programs?

14 A. Gulf's response to Question 1 of Staff's First Set of
15 Interrogatories, Docket 960002-EG is attached as Exhibit
16 No. 10 MDN(2). Seven programs had RIM cost
17 effectiveness values less than one. The following is a
18 synopsis of the steps taken for each of the programs.
19 1) Residential and Commercial Audit Programs- This
20 category includes Gulf's Residential Energy Audit,
21 Residential Mail-in Energy Survey, In Concert with the
22 Environment, Commercial Audit/Industrial EA/TAA, and
23 Commercial Mail-In Energy Audit Programs. Audits are
24 required by Florida Administrative Code. However, Gulf
25 Power has taken several steps to reduce the overall

1 average cost of providing this service to customers.
2 For example, during the past year Gulf filed and
3 received approval for a commercial and a residential
4 mail-in audit program. These programs are more cost
5 effective than the traditional walk through audits.
6 Also, Gulf has taken steps to reduce the cost of
7 performing the walk through audits. In addition, a new
8 contract has been negotiated with the In Concert with
9 the Environment program vendor. The result of this new
10 contract is a reduction in the administration costs for
11 the program. All of these steps result in more cost
12 effective audit programs for Gulf Power and its
13 ratepayers.

14
15 2) Residential Duct Leakage - Administration costs for
16 this program are being reduced. A number of contractors
17 in Gulf's service territory have been trained to provide
18 the services associated with identification and
19 correction of duct leakage and other duct deficiencies.
20 Gulf Power's Residential Energy Consultants will utilize
21 these resources to minimize the cost associated with the
22 program. Gulf will maintain our customer incentive of
23 \$25 to encourage participation in this program by
24 customers. The trained contractors along with Gulf's
25 Energy Consultants have been promoting this program for

1 over a year with virtually no participation. Gulf
2 believes this to be because of a lack of perceived need
3 and benefit by the customer. The cost of advertising
4 and promotion necessary to overcome these customer
5 perceptions would far exceed the benefit to Gulf Power
6 and the entire body of ratepayers. Even though Gulf has
7 chosen to keep the program, additional costs targeted at
8 changing customer perception will be at a minimum.

9
10 3) Good Cents Environmental Home - Gulf Power has
11 expended significant resources promoting this program
12 over the past two years. Despite these efforts, the
13 lack of participation in this program has indicated that
14 there is not substantial interest in the resulting
15 environmental benefits associated with its
16 implementation. Gulf Power will maintain availability
17 of this program to our builders and customers, however,
18 we will not advertise and promote this program in an
19 active manner. Administration costs for this program
20 will be negligible and no longer be charged to the ECCR
21 account. Benefits to our customers and to Gulf Power
22 will continue to accrue with the realization of any
23 units constructed to the GoodCents Environmental Home
24 standards.

25

1 4) Gulf Express Energy Loan Program - Gulf has ceased
2 accepting new loans under this program. Any future
3 costs will be administrative costs for outstanding loans
4 and any default costs.

5
6 5) Residential Geothermal Heat Pump Program - Although
7 the program is cost effective, Gulf Power has
8 significantly reduced the cost of incentives to the
9 customer installing these systems. This has been done
10 through an innovative program to guarantee the cost
11 associated with heating and cooling of single family
12 homes with geothermal technology. Gulf Power intends to
13 further utilize this Heating and Cooling Cost Guarantee
14 program to reduce the average cost of incentives for the
15 Residential Geothermal Heat Pump program from \$500 per
16 dwelling unit to \$150 per dwelling unit. These
17 incentives are currently available only in the
18 multifamily market. It is our intention to begin
19 reducing and eventually eliminate this incentive amount
20 as appropriate to sustain a growing market penetration.

21
22 6) Good Cents Commercial Buildings - Gulf is currently
23 reviewing the latest revision to the Florida Energy
24 Efficiency Code For Building Construction to reestablish
25 the benchmark for standard energy requirements. The

1 last update was 1994. Gulf will update the Good Cents
2 Building cost effectiveness evaluation as a result of
3 this new benchmark and updated market assumptions.

4
5 Where applicable, the changes described to the programs
6 will be effective January 1, 1998. Updated program
7 standards and cost effectiveness evaluations will be
8 submitted separately.

9

10 Q. Ms. Neyman, does this conclude your testimony?

11 A. Yes, it does.

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1 Gulf Power Company

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony of
4 Margaret D. Neyman
5 Docket No. 980002-EG
6 January 13, 1998

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

9 A. My name is Margaret D. Neyman and my business address
10 is One Energy Place, Pensacola, Florida 32520. I am
11 employed by Gulf Power Company as the Marketing
12 Services Manager.

13 Q. Are you familiar with the documents concerning the
14 Energy Conservation Cost Recovery?

15 A. Yes, I am.

16

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

19 A. Yes, I have.

20

21 Counsel: We ask that Ms. Neyman's exhibit consisting
22 of 5 Schedules be marked for identification as:

23 Exhibit No. 11 (MDN-3).

24

25

1 Q. Ms. Neyman, for what purpose are you appearing before
2 this Commission today?

3 A. I am testifying before this Commission on behalf of
4 Gulf Power Company regarding matters related to the
5 Energy Conservation Cost Recovery Clause and to answer
6 any questions concerning the accounting treatment of
7 conservation costs in this filing. Specifically, I
8 will address projections for approved programs during
9 the April, 1998, through March, 1999, recovery period
10 and the results of those programs during the recovery
11 period, October, 1997, through March, 1998, (2 months
12 actual, 4 months estimated).

13

14 Q. Would you summarize for this Commission the deviations
15 resulting from the actual expenditures from October
16 through November of the current recovery period?

17 A. Projected expenses for the period were \$501,387
18 compared to actual expenses of \$431,406 for a
19 difference of \$69,981 or 13.95% below budget. A
20 detailed summary of these expenses is contained in my
21 Schedule C-3, pages 1 and 3 and my Schedule C-5, pages
22 1 through 18.

23

24

25

1 Q. Would you describe the results achieved by the programs
2 during the current period, October, 1997, through
3 November, 1997?

4 A. A detailed summary of results for each program is
5 contained in my Schedule C-5, pages 1 through 18.

6

7 Q. Would you summarize the conservation program cost
8 projections for the April, 1998 through March, 1999
9 recovery period?

10 A. Program costs for the recovery period are projected to
11 be \$2,571,917. These costs are broken down as follows:
12 depreciation/amortization and return, \$285,826;
13 payroll/benefits, \$1,441,118; materials/expenses,
14 \$668,605; advertising, \$294,269; incentives, \$127,033;
15 vehicles, \$54,574; and other, \$40,248; all of which
16 are offset by program revenues, \$339,756. More detail
17 is contained in my Schedule C-2.

18

19 Q. Would you review the expected results for your programs
20 during the April, 1998, through March, 1999, recovery
21 period?

22 A. The following is a synopsis of each program goal:

23 (1) Residential Energy Audits - 2,000 audits are
24 projected to be completed during the period.

25 These audits emphasize selling customers on making

- 1 conservation improvements.
- 2 (2) Residential Mail-In Audit - This is a direct mail
3 energy auditing program. This program builds on
4 the success of Gulf's existing Residential Energy
5 Audit program and will assist in the evaluation of
6 the specific energy requirements of a residential
7 dwelling. Gulf expects 1,000 participants during
8 the projection period.
- 9 (3) Gulf Express Loan Program - This program is no
10 longer accepting new loans. No units are
11 projected during this period. The projected costs
12 are for the administration of existing loans.
- 13 (4) In Concert With The Environment - This energy
14 awareness program is being presented to 8th and
15 9th grade students as a supplement to the
16 residential audit program. 1,000 students are
17 projected to receive the presentation during this
18 period.
- 19 (5) Good Cents Environmental Home - This program
20 provides residential customers with guidance
21 concerning energy and environmental efficiency in
22 new construction. 5 homes are expected to be
23 completed during the projected period.
- 24 (6) Duct Leakage Repair - The object of the program is
25 to provide the customer with a means to identify

1 house air duct leakage and recommend repairs that
2 can reduce customer kWh energy usage and kW
3 demand. 20 homes are projected to participate in
4 this program during the period.

5 (7) Geothermal Heat Pump - The objective of this
6 program is to reduce the demand and energy
7 requirements of new and existing residential
8 customers through the promotion and installation
9 of geothermal systems. 365 customers are expected
10 to participate in the program during the
11 projection period.

12 (8) Residential Advanced Energy Management - The
13 program is designed to provide the customer with a
14 means of conveniently and automatically
15 controlling and monitoring his/her energy
16 purchases in response to prices that vary during
17 the day and by season in relation to the Company's
18 cost of producing or purchasing energy.

19
20 Gulf expects 4,675 customers to participate in
21 this program by the end of this projection period.
22 The startup of the program has been delayed
23 because of several factors. Initially, the program
24 was delayed pending a final order in Docket No.
25 941172-EG which caused a delay in Gulf's issuance

1 of an AEM equipment RFP. Once the RFP was issued,
2 the contract negotiation process took longer than
3 expected in order to insure that Gulf received the
4 best possible AEM technological solution and the
5 best price. Gulf signed a contract with
6 Scientific Atlanta (SA) in September, 1996, which
7 called for delivery of prototype units for field
8 testing in March, 1997, and full production units
9 in June, 1997.

10
11 The AEM system is to include field units utilizing
12 a communication gateway, a radio frequency (RF)
13 based Local Area Network (LAN), major appliance
14 load control relays, and a proprietary,
15 programmable thermostat (Superstat), all operating
16 at the customer's home. Early in 1997, SA
17 advised Gulf that the delivery of units would be
18 delayed due to the inability of suppliers to
19 provide some components on the established
20 schedule. Despite Gulf's best efforts to remedy
21 SA's delays and the negotiation of penalties for
22 late delivery, in August, 1997, SA also advised
23 Gulf that no field units utilizing an RF-based LAN
24 would be available earlier than mid to late 1998.
25 Gulf negotiated conditions which allowed for an

1 interim solution, accompanied by a price reduction
2 due to SA's failure to comply with the RF-based
3 requirements and their overall failure to deliver
4 any usable product within the time provisions
5 specified in the contract. As part of these
6 revised provisions, SA was to deliver field units
7 for testing in mid-October, 1997, with the first
8 batch of production units to be delivered during
9 the first quarter of 1998.

10
11 As of December 31, 1997, the expected prototype
12 units had still not been delivered due to failures
13 of electronic components during testing. SA still
14 contends that production units will be delivered
15 during the first quarter of 1998, but Gulf now
16 believes that there is a reasonable probability
17 that production units will not arrive until second
18 quarter, 1998.

19
20 Despite the unpreventable delays that have
21 occurred, Gulf still believes that the AEM System
22 is a viable program. Gulf is modifying its
23 schedule for market implementation as a result of
24 the delays, and plans to increase the number of
25 units deployed during the years 1999 to 2003 to

1 still accomplish the basic program objective of
2 achieving a total of 80,000 kilowatts of peak
3 demand reduction by year end 2004.

4
5 Gulf's near term residential conservation goals
6 have been adversely impacted as a result of the
7 delays in implementing AEM, but the process has
8 produced the most cost-effective solution that is
9 currently possible. In the longer term, Gulf
10 fully expects to catch up on a cumulative basis in
11 subsequent periods.

12
13 (9) GoodCents Building - This program includes both
14 new and existing commercial customers. 220
15 installations are projected for the period.
16 Implementation strategies will concentrate on
17 architects, engineers, developers and other
18 decision makers in the construction process.

19 (10) Energy Audits and Technical Assistance Audits -
20 238 audits are projected for the period. Emphasis
21 will be placed on audits for large, complex
22 commercial customers such as hospitals, hotels and
23 office buildings. These audits will focus on the
24 benefits of alternative technologies such as heat
25 pump water heaters and geothermal technologies.

- 1 (11) Commercial/Industrial Mail-In Audit - This is a
2 direct mail energy auditing program. This program
3 builds on the success of Gulf's existing
4 Commercial/Industrial Energy Audit program and
5 will assist in the evaluation of the specific
6 energy requirements of a given business type.
7 Gulf expects 1,100 participants during the
8 projection period.
- 9 (12) Solar for Schools Pilot - This program uses "green
10 pricing" to fund solar technologies in public
11 schools. It also incorporates a school-based
12 energy education component as well as enhanced
13 security lighting for schools. During the
14 projection period, Gulf will continue evaluating
15 various implementation options and developing the
16 "green pricing" promotion plan.
- 17 (13) Conservation Demonstration and Development -
18 17 research projects have been identified. A
19 detailed description of each project is in
20 Schedule C-2.
- 21 (14) Gas Research and Development - Gulf Power has
22 completed research in four individual research and
23 demonstration projects. Therefore, no costs are
24 projected during this projection period. Project
25 details are explained in Schedule C-5 in accordance

1 with Docket No. 950520-EG, Order No. PSC-95-1146-
2 FOF-EG.

3

4 Q. Has Gulf proposed to change any of the projected costs
5 for the period October, 1997, through March, 1998?

6 A. Yes. The projected costs for the period October, 1997,
7 through March, 1998, have been revised following Gulf's
8 1998 budget preparations.

9

10 Q. Ms. Neyman, what amount does Gulf propose to bill for
11 the months April, 1998, through March, 1999, as Energy
12 Conservation Cost Recovery factors?

13 A. The factors for these months and how they were derived
14 are detailed on Schedule C-1, page 3 of 3.

15

16 Q. Ms. Neyman, does this conclude your testimony?

17 A. Yes, it does.

18

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**IN RE: CONSERVATION COST RECOVERY CLAUSE,
DOCKET NO. 970002-EG****DIRECT TESTIMONY OF VERNON I. KRUTSINGER**

- 1 **Q. Please state your name and business address.**
- 2 A. My name is Vernon I. Krutsinger. My business address is Peoples Gas
3 System, a division of Tampa Electric Company, P .O. Box 2562, Tampa,
4 Florida 33601-2562.
- 5 **Q. By whom are you employed and in what capacity?**
- 6 A. I am employed by Peoples Gas System, Division of Tampa Electric
7 Company as Manager of Energy Conservation.
- 8 **Q. Are you familiar with Peoples Gas System's energy conservation
9 programs?**
- 10 A. Yes. As Manager of Energy Conservation, I work with the Company's
11 energy conservation programs on a daily basis.
- 12 **Q. Are you familiar with the costs that Peoples incurs in implementing its
13 energy conservation programs?**
- 14 A. Yes. I am responsible for planning, implementation, coordination, and
15 maintenance of all of Peoples' energy conservation programs. My
16 responsibilities include routinely testifying in support of the Company's
17 ECCR filings.
- 18 **Q. Have you previously testified in proceedings before the Florida Public
19 Service Commission?**

1 A. Yes. I have testified in several Energy Conservation Cost Recovery
2 ("ECCR") proceedings beginning in 1992. I have also testified in other
3 conservation-related dockets before the Commission.

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

5 A. My testimony addresses the costs that Peoples seeks to recover through the
6 energy conservation cost recovery ("ECCR") clause attributable to the
7 Commission-approved conservation programs of Peoples Gas System, Inc.,
8 which was merged into Tampa Electric Company effective June 16, 1997.
9 Specifically, this part of my testimony addresses the true-up amount
10 associated with those programs for the period October 1996 through
11 September 1997.

12 **Q. Are you sponsoring any exhibits with your testimony?**

13 A. Yes. I am sponsoring Exhibit 12 (VIK-1), which contains the
14 Conservation Cost Recovery True-Up Data in the format requested by the
15 Commission Staff for the period October 1996 through September 1997.
16 Exhibit 12 (VIK-1) consists of 17 pages and includes summary and
17 detailed data relating to the true-up, ECCR revenues, and actual and
18 projected program cost data.

19 **Q. What are the Company's true-up amounts for the period October 1996
20 through September 1997?**

21 A. As shown on Schedule CT-1 of Exhibit 12 (VIK-1), the end-of-period
22 net true-up for the period is an overrecovery of \$1,344,131, including both
23 principal and interest. The projected true-up for the period, as approved by

1 Commission Order No. PSC-97-0291-FOF-EG, was \$3,787,868
2 underrecovery. Subtracting the actual overrecovery from the projected true-
3 up underrecovery yields the adjusted net true-up of \$5,131,999 overrecovery.

4 **Q. What do the rest of the scheduled in Exhibit 12 (VIK-1) show?**

5 A. Scheduled CT-2 presents an analysis of the variance between actual and
6 estimated energy conservation program costs for the period October 1996
7 through September 1997. Schedule CT-3 presents an analysis of program
8 costs, by month and by program, and calculation of the true-up and interest
9 amounts. Schedule CT-4 is not applicable to Peoples Gas System. Schedule
10 CT-5 provides for an reconciliation and explanation of differences between
11 the Company's filing and the PSC's audit for the relevant period; there are
12 no such differences to report as of the date of this filing. Schedule CT-6
13 contains Program Progress Reports for each of Peoples' approved energy
14 conservation programs.

15 **Q. Does this conclude your prefiled direct testimony regarding Peoples'**
16 **requested true-up amounts attributable to the conservation programs**
17 **approved by the Commission for Peoples Gas System, Inc.?**

18 A. Yes, it does.

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 PREPARED DIRECT TESTIMONY

3 OF

4 VERNON I. KRUTSINGER

5
6 Q. Please state your name and business address.

7
8 A. My name is Vernon I. Krutsinger. My business address is
9 Peoples Gas System, 702 N. Franklin Street, Tampa, Florida
10 33601.

11
12 Q. By whom are you employed and in what capacity?

13
14 A. I am employed by Peoples Gas System as Manager of Energy
15 Conservation.

16
17 Q. Are you the same Vernon I. Krutsinger who previously filed
18 testimony in this proceeding?

19
20 A. Yes. My earlier direct testimony, filed in Docket No.
21 970002-EG on November 19, 1997, addressed Peoples'
22 requested energy conservation cost recovery ("ECCR") true-up
23 amount for the period October 1996 through September 1997.

24
25 Q. Are you familiar with Peoples Gas System's energy
26 conservation programs?

- 1
- 2 **A.** Yes. As Manager of Energy Conservation, I work with the
3 Company's energy conservation programs on a daily basis.
4
- 5 **Q.** Are you familiar with the costs that Peoples incurs in
6 implementing its energy conservation programs?
7
- 8 **A.** Yes. I am responsible for planning, implementation,
9 coordination, and maintenance of all of Peoples' energy
10 conservation programs. My responsibilities include
11 routinely testifying in support of the Company's ECCR
12 filings.
13
- 14 **Q.** Have you previously testified in proceedings before the
15 Florida Public Service Commission?
16
- 17 **A.** Yes, I have testified in several Conservation Cost Recovery
18 proceedings beginning in 1992. I have also testified in
19 other conservation-related dockets before the Commission.
20
- 21 **Q.** What is the purpose of your testimony in this docket?
22
- 23 **A.** My testimony in this docket addresses Peoples' energy
24 conservation programs and the costs that Peoples seeks to
25 recover through the energy conservation cost recovery

1 ("ECCR") clause. Specifically, this part of my testimony
2 first presents data and summaries concerning the planned
3 and actual accomplishments of the Company's energy
4 conservation programs during the period October 1, 1996
5 through September 30, 1997. Data related to calculation of
6 the true-up amount for this period is also presented.
7

8 Second, my testimony describes generally the expenditures
9 made and projected to be made in implementing, promoting,
10 and operating Peoples' energy conservation programs for the
11 current period; this information includes actual costs
12 incurred in October and November 1997 and revised
13 projections of program costs that Peoples expects to incur
14 from December 1997 through September 1998. Next, my
15 testimony presents projected conservation program costs for
16 the period October 1, 1998 through March 31, 1999.
17

18 Finally, my testimony presents the calculation of the
19 conservation cost recovery adjustment factors to be applied
20 to customers' bills during the period beginning April 1,
21 1998 and continuing through March 31, 1999.
22

23 Q. Are you sponsoring any exhibits with your testimony?
24

25 A. Yes. I am sponsoring Exhibit 13 (VIK-2), which contains

1 Schedules C-1 through C-5. These exhibits were prepared
2 under my supervision and direction.

3
4 Q. Have you prepared summaries of the Company's conservation
5 programs and the costs associated with these programs?

6
7 A. Yes. Summaries of the Company's programs are presented in
8 Schedule C-5, Pages 1 of 10 through 10 of 10.

9
10 Q. Have you prepared schedules that show the expenditures
11 associated with Peoples' energy conservation programs for
12 the periods that your testimony addresses?

13
14 A. Yes. Actual expenses for the period October 1996 through
15 September 1997 are shown on Schedule CT-2, Page 2, of
16 Exhibit 12 (VIK-1). Exhibit 12 (VIK-1) was
17 included with my earlier direct testimony. Page 1 of
18 Schedule CT-2 presents a comparison of the actual program
19 costs and true-up amount to the projected costs and true-up
20 amount for the same period.

21
22 Q. What was the total cost incurred by the Company in
23 connection with its approved energy conservation programs
24 during the year ending September 30, 1997?

25

- 1 A. The total cost incurred by Peoples in connection with its
2 approved energy conservation programs for the year ending
3 September 30, 1997 was \$4,250,955.
4
- 5 Q. What is presented on Schedule C-1 of Exhibit 13 (VIK-
6 2)?
7
- 8 A. Schedule C-1 presents a summary of the calculation of
9 Peoples' ECCR cost recovery factors.
10
- 11 Q. Have you prepared a schedule that shows Peoples' projected
12 conservation program costs by month for the period October
13 1, 1998 through March 31, 1999?
14
- 15 A. Yes. The Company's projected ECCR costs for this period
16 are presented in Schedule C-2: Page 1 of 3 presents the
17 projected monthly ECCR costs by program, and Page 2 of 3
18 presents these costs by cost category for each program.
19 Page 3 of 3 is not applicable to Peoples Gas System.
20
- 21 Q. Have you prepared a schedule that shows Peoples'
22 conservation program costs for the year ending September
23 30, 1998?
24
- 25 A. Yes. Schedule C-3 presents Peoples' ECCR costs for the

1 year ending September 30, 1998. Pages 1 through 3 of 7
2 show total annual costs by program and by cost category.
3 The projected annual costs reflect an increase over prior
4 year expenses due to increased load growth, advertising of
5 conservation programs, particularly in new areas, and an
6 approach supporting partnership of the conservation
7 programs with appliance dealers and contractors. The
8 partnering costs include partial reimbursement to
9 appliance dealers/contractors for incremental
10 administrative and promotional costs they incur by
11 participating in Peoples Gas System's approved conservation
12 programs. Such expenses include compliance with Peoples'
13 reporting requirements, Yellow Page and other advertising,
14 allocation of showroom floor space to gas appliances, etc.
15 Payment will be paid to appliance dealers on the basis of
16 units sold that comply with program requirements and paid
17 in lieu of costs the company would incur internally if it
18 were not for the independent dealers. Page 4 of 7 is not
19 applicable to Peoples Gas System. Schedule C-3, Page 5 of
20 7 presents monthly costs for each of Peoples' approved
21 conservation programs for the period October 1997 through
22 September 1998; actual data are presented for October and
23 November 1997, while the program expense data are projected
24 for the last ten months of the year ending September 30,
25 1998. Page 6 of 7 presents the monthly cost and revenue

1 data -- two months actual and ten months estimated -- used
2 to calculate the net true-up for the period October 1, 1997
3 through September 30, 1998. Page 7 of 7 presents the
4 monthly calculation of the interest provision associated
5 with the true-up or the same period.
6

7 Q. Have you prepared schedules required for calculation of
8 Peoples' proposed conservation adjustment factors to be
9 applied during billing periods beginning on April 1, 1998
10 and continuing through March 31, 1999?
11

12 A. Yes. These calculations are summarized on Schedule C-1 of
13 Exhibit 13 (VIK-2).
14

15 Q. What are the ECCR factors that Peoples is requesting
16 authority to apply for the period April 1, 1998 through
17 March 31, 1999?
18

19 A. Schedule C-1 shows the estimated ECCR revenues and ECCR
20 adjustment factors by rate class for the period April 1,
21 1998 through March 31, 1999.
22

23 Q. Does this conclude this part of your prefiled direct
24 testimony regarding Peoples' requested ECCR costs?
25

1 | A. Yes, it does.

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **In Re: Conservation Cost Recovery Clause**

3 **DIRECT TESTIMONY OF WILLIAM B. GRAY**

4 **On Behalf of**

5 **PEOPLES GAS SYSTEMS, FORMERLY**

6 **WEST FLORIDA NATURAL GAS COMPANY**

7 **DOCKET NO. 970002-EG**

8 **Q.** Please state your name business address, by whom you are employed, and in
9 what capacity.

10 **A.** My name is William B. Gray, and my business address is 301 Maple Avenue,
11 Panama City, Florida 32401. I am employed by People Gas System,
12 formerly West Florida Natural Gas Company, as Director of Accounting

13 **Q.** Are you familiar with the energy conservation programs of Peoples Gas
14 System and costs which have been, and are projected to be, incurred in their
15 implementation?

16 **A.** Yes.

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

18 **A.** The purpose of my testimony is to present data and summaries concerning
19 the planned and actual accomplishments of Peoples Gas System's energy
20 conservation programs during the period October 1, 1996 through September
21 30, 1997. Data related to calculation of the true-up for this period is also
22 included.

23 **Q.** Have you prepared summaries of Peoples Gas System's conservation
24 programs and the costs associated with these programs?

- 1 **A.** Yes. Summaries of the six programs in connection with which Peoples Gas
2 System's incurred recoverable costs during the period October 1, 1996
3 through September 30, 1997 are contained in Schedule CT-6 of Exhibit
4 WBG-1. Included are our Residential Home Builder Program; Residential
5 Electric Resistance and Oil Heating Replacement Program; Energy Savings
6 Payback Program; Natural Gas Water Heater Load Retention Program;
7 Natural Gas Space Conditioning Allowance Program; and Commercial
8 Electric Resistance Appliance Replacement Program.
- 9 **Q.** Have you prepared a schedule which shows the actual expenditures
10 associated with it's energy conservation programs for this period?
- 11 **A.** Yes. Schedule CT-2, page 2, Exhibit WBG-1 shows actual expenses for the
12 period. Schedule CT-2, page 1, shows a comparison of the actual program
13 costs and true-up submitted at the February 1997 hearing in this docket.
- 14 **Q.** What was the total cost incurred by Peoples Gas Systems in connection with
15 the six programs during the twelve months ended September 30, 1997?
- 16 **A.** As shown in Exhibit WBG-1, Schedule CT-2, page 2, total program costs
17 were \$698,908.00.
- 18 **Q.** Have you prepared, for the twelve month period involved, a schedule which
19 shows the variance of actual from projected program costs by categories of
20 expenses?
- 21 **A.** Yes. Schedule CT-2, page 3 of Exhibit WBG-1 shows these variances.
- 22 **Q.** What is Peoples Gas Systems adjusted net true-up for the twelve months
23 ended September 30, 1997?
- 24 **A.** The Company has overrecovered \$202,071.00 including interest.

- 1 **Q.** What is the amount of the adjusted net true-up for the period October 1996
2 through September 1997?
- 3 **A.** This amount appears on Schedule CT-1, page 1 of 1 is \$478,877.00
4 overrecovery.
- 5 **Q.** Does this conclude your testimony?
- 6 **A.** Yes, it does.

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 980002-EG
REVISED DIRECT TESTIMONY OF
WILLIAM B. GRAY
ON BEHALF OF PEOPLES GAS-WEST REGION

Q. Please state your name, address, and employment position.

A. My name is William B. Gray, and my business address is 301 Maple Avenue, Panama City, Florida 32401. I am employed as Director of Accounting for Peoples Gas West Region.

Q. What is the purpose of your testimony?

A. My testimony supports the Schedules C-1, C-2, C-3, and C-5, which I prepared, and the calculation of the conservation cost recovery factor to be applied to customer bills during the period of October 1, 1997 through September 30, 1998. The "C" Schedules filed with the Commission consist of Schedules C-1, C-2, C-3 and C-5 (composite pre-hearing identification number CA-2). The Schedules reflect assumptions concerning projected levels of program actively developed by Ronald C. Sott, who is Director, New Business Development and who maintains close contact with our customers. My testimony also describes how we arrived at them projections for the period.

- 1 Q. What is the total amount of program costs which the
2 Company expects to incur during the period October 1997
3 through March 1998?
- 4 A. That amount, which appears on Schedule C-2, page 1
5 of 3, is \$466,385.00.
- 6 Q. What is the amount of the estimated true-up for the
7 current period?
- 8 A. The Company expects to underrecover \$292,702.00
9 including interest. This amount appears on
10 Schedule C-3, page 4 of 5.
- 11 Q. What is the total amount to be recovered during the
12 period April 1997 through March 1998, and what is
13 the proposed cost recovery factor related to that
14 amount?
- 15 A. Based upon total incremental cost of \$466,385.00
16 and a true-up of \$292,702.00 underrecovery, the
17 total amount to be recovered during October 1997
18 through September 1998 is \$759,087.00. This amount is
19 allocated to the different customer classes in the
20 same proportion as they contribute to base rate
21 revenues. The amount attributed to each class is
22 then divided by the projected therm sales for that

1 class. This calculation results in a conservation
2 recovery factor for residential customers of 4.7 cents
3 per therm; for commercial customers of 1.587 cents per
4 therm; for commercial large and transportation commercial
5 large customers of 1.181 cents per therm for industrial customer and
6 transportation customers of 0.266 cents per therm, as
7 adjusted for taxes.

8 Q. Please explain how this estimate of 41,890,610 therms for this
9 period was developed.

10 A. The estimate of 41,890,610 therms consist of projected
11 firm gas sales totaling 23,989,482 therms and firm
12 transportation gas totaling 17,901,128 therms. The firm
13 gas sales estimate has been determined through
14 application of projected customer growth and heating
15 degree day data to our forecasting model.

16 Q. Do these therm sales projections include any volumes to
17 be sold under an interruptable rate?

18 A. No. Since interruptable sales are excluded from
19 consideration under the conservation cost recovery
20 program, they have been excluded from the above
21 projections.

22 Q. Does this complete your testimony?

23 A. Yes.

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 980002-EG

REVISED DIRECT TESTIMONY OF

RONALD C. SOTT

ON BEHALF OF WEST FLORIDA NATURAL GAS COMPANY
(PEOPLES GAS-WEST FLORIDA REGION)

7 Q. Please state your name and address.

8 A. My name is Ronald C. Sott. My business address is 301

9 Maple Avenue, Panama City, Florida.

10 Q. In what capacity are you employed by West Florida Natural Gas

11 Company (Peoples Gas West Florida Region) ?

12 A. My job title is Director, New Business Development. My

13 position includes overall marketing responsibility of

14 the Region's conservation programs in both the Panama City

15 and Ocala divisions.

16 Q. What is the purpose of your testimony?

17 A. The purpose of my testimony is to support the projected

18 levels of conservation program expenses as incorporated

19 into the "C Schedules" sponsored by William B. Gray.

20 Q. Please proceed.

21 A. In order to project expenses for the Home Builders

22 Program, we contacted several of our major contractors

23 and reviewed their schedules for the periods involved.

24 These projections include several new developments in both divisions

25 which are ongoing during this period. The projections for our

1 replacement and Esp programs were developed based on
2 actual data in previous periods plus projections
3 due to extensive mail line construction into previously
4 unserved areas of Marion County, Florida. Our gas
5 water heater load retention estimates were based on past
6 experience with our water heater extended-purchase program.
7 Commercial appliance replacement was projected using past
8 experience with our commercial water heater extended-
9 purchase program as well as information provided by
10 commercial equipment distributors and gas installers.
11 The gas space conditioning program projections were based
12 on estimates. This is a program for which we have little
13 historical information or experience from which to draw, however the
14 program is being accepted well in our Ocala division, especially with
15 the development of the York Triathlon gas heating/air conditioning system.

16 Q. Does this complete your testimony?

17 A. Yes.

1. **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**2. In Re: Conservation Cost
3. Recovery ClauseDocket No. 970002-EG
Filing Date: November 18, 1997

4.

5. **DIRECT TESTIMONY OF DEBBIE STITT ON**
6. **BEHALF OF ST. JOE NATURAL GAS COMPANY, INC.**7. Q. Please state your name, business address, by whom you are
8. employed and in what capacity.9. A. Debbie Stitt, 301 Long Avenue, Port St. Joe, Florida 32456
10. St. Joe Natural Gas Company in the capacity of Energy
11. Conservation Analyst.

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

13. A. My purpose is to submit the expenses and revenues
14. associated with the Company's conservation programs
15. during the twelve month period ending September 30, 1997
16. and to identify the final true-up amount related to that
17. period.18. Q. Have you prepared any exhibits in conjunction with your
19. testimony?20. A. Yes, I have prepared and filed together with this testi-
21. mony this 18th day of November, 1997 Schedules CT-1 through
22. CT-5 prescribed by the Commission Staff which have
23. collectively been entitled "Adjusted Net True-up for
24. twelve Months Ending September 30, 1997" for identi-
25. fication.

1. Q. What amount did St. Joe Natural Gas spend on conser-
2. vation programs during the period?
3. A. \$33,441.00
4. Q. What is the final true-up amount associated with this
5. twelve month period ending September 30, 1997?
6. A. An underrecovery of \$2,083.00?
7. Q. Does this conclude your testimony?
9. A. Yes
- 10.
- 11.
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2 In Re: Conservation Cost) Docket No. 980002-EG
3 Recovery Clause) Submitted for Filing
4 _____) January 12, 1998

5 DIRECT TESTIMONY OF DEBBIE STITT ON
6 BEHALF OF ST. JOE NATURAL GAS COMPANY, INC.

7 Q. Please state your name, business address, by whom you
8 are employed and in what capacity.

9 A. Debbie Stitt, 301 Long Avenue, Port St. Joe, Florida
10 32456, St Joe Natural Gas Company in the capacity of
11 Energy Conservation Analyst.

12 Q. What is the purpose of your testimony?

13 A. My purpose is to submit the known and projected
14 expenses and revenues associated with SJNG's
15 conservation programs incurred in October and November
16 1997 and projection costs to be incurred from December
17 1997 through September 1998. It will also include
18 projected conservation costs for the period October
19 1, 1998 through March 31, 1999 with a calculation
20 of the conservation adjustment factors to be applied
21 to the customers bills during the April 1, 1998
22 through March 31, 1999 period.

23 Q. Have you prepared any exhibits in conjunction with
24 your testimony?

25 A. Yes, I have prepared and filed to the Commission the

1 12th day of January 1998 Schedules C1 through C4
2 prescribed by the Commission Staff which have
3 collectively been entitled "Energy Conservation
4 Adjustment Summary of Cost Recovery Clause Calculation
5 for months April 1, 1998 through March 31, 1999"
6 for identification.

7 Q. What Conservation Adjustment Factor does St. Joe
8 Natural Gas seek approval through its petition for
9 the twelve month period ending March 31, 1999.

10 A. \$0.03140 per therm for Residential, \$0.04283 per
11 therm for Commercial, and \$0.01690 for Large
12 Commercial.

13 Q. Does this conclude your testimony?

14 A. Yes.

15

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BEFORE THE PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

HOWARD T. BRYANT

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Q. Please state your name and address.

A. My name is Howard Bryant. My business address is 702 North Franklin Street in Tampa, Florida 33602.

Q. Mr. Bryant, what is the purpose of your testimony?

A. The purpose of my testimony is to support the Company's actual conservation costs incurred during the period October 1, 1996 through and including September 30, 1997, the actual and projected period of October 1, 1997 to March 31, 1998, and the twelve month projected period of April 1, 1998 through March 31, 1999. Also, I will support the level of charges (benefits) for the interruptible Customers allocated to the period April 1, 1998 through March 31, 1999. The balance of costs will be charged to the firm Customers on a per kilowatt-hour basis in accordance with Docket No. 930759-EG, Order No. PSC-93-1845-FOF-EG dated December 29, 1993.

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

3
4 A. Tampa Electric Company believes that our conservation and
5 load management programs do not accrue capacity benefits to
6 interruptible Customers. This position has been supported
7 by this Commission in Dockets 900002-EG through 970002-EG.
8 The Company estimates the cumulative effects of its
9 conservation and load management programs will allow the
10 interruptible Customers to have lower fuel costs
11 (\$0.11/MWH) due to the reductions in marginal fuel costs.

12
13 Q. How were those benefits calculated?

14
15 A. To determine fuel savings effects, we have calculated a
16 "what if there had been no conservation programs." The
17 results indicate that the avoided gigawatt-hours have
18 actually reduced average fuel costs due to the fact that
19 higher priced marginal fuels would be burned if the
20 gigawatt-hours had not been saved.

21
22 The attached analysis, Exhibit No. (HTB-2), Conservation
23 Costs Projected, portrays costs and benefits.

24
25 Q. Doesn't charging different amounts for firm and

- 1 interruptible Customers conflict with the Florida Energy
2 Efficiency and Conservation Act?
3
- 4 A. No. The act requires the utilities, through the guidance
5 of the Florida Public Service Commission, to cost
6 effectively reduce peak demand, energy consumption and the
7 use of scarce resources, particularly petroleum fuels. It
8 does not require all Customers to pay the utilities'
9 conservation costs no matter if they receive the same level
10 of benefits or not. The relationships between costs and
11 benefits received are specifically the determination of the
12 Commission.
13
- 14 Q. Please describe the conservation program costs projected by
15 Tampa Electric Company during the period October 1, 1996
16 through September 30, 1997.
17
- 18 A. For the period October 1, 1996 through September 30, 1997
19 Tampa Electric Company projected conservation program costs
20 to be \$19,130.114. The Commission authorized collections
21 to recover these expenses in Docket No. 960002-EG, Order
22 No. PSC-96-0352-FOF-EG, issued March 12, 1996 and Docket
23 No. 970002-EG, Order No. PSC-97-0291-FOF-EG, issued March
24 14, 1997.
25

- 1 Q. Mr. Bryant, for the period October 1, 1996 through
2 September 30, 1997, what were Tampa Electric's conservation
3 costs and what was recovered through the Conservation Cost
4 Recovery Clause?
5
- 6 A. For the period October 1, 1996 through September 30, 1997
7 Tampa Electric Company incurred actual net conservation
8 costs of \$18,970,247, plus a beginning true-up over
9 recovery of \$834,801 for a total of \$18,135,446. The
10 amount collected in the Conservation Cost Recovery Clause
11 was \$19,191,594.
12
- 13 Q. What was the true-up amount?
14
- 15 A. The true-up amount for the period October 1, 1996 through
16 September 30, 1997 was an over recovery of \$1,067,112.
17 These calculations are detailed in Exhibit No. (HTB-1),
18 Conservation Cost Recovery True Up, Pages 1 through 10.
19
- 20 Q. Please describe the conservation program costs incurred and
21 projected to be incurred by Tampa Electric Company during
22 the period October 1, 1997 through March 31, 1998.
23
- 24 A. The actual costs incurred by Tampa Electric Company through
25 November 30, 1997 and estimated for December 1, 1997

1 through March 31, 1998 are \$10,250,032.

2

3 For the period, Tampa Electric anticipates an under
4 recovery in the conservation cost recovery of \$84,452 which
5 includes the previous period true-up and interest. A
6 summary of these costs and estimates are fully detailed in
7 Exhibit No. (HTB-2), Conservation Costs Projected, Pages 1
8 through 31.

9

10 Q. Mr. Bryant, for the period April 1, 1998 through and
11 including March 31, 1999, what are Tampa Electric's
12 estimates of its conservation costs and cost recovery
13 factor?

14

15 A. The company has estimated that the total conservation costs
16 (less program revenues) during that period will be
17 \$20,929,555 plus true-up. Including true-up estimates and
18 the interruptible sales contribution at 0.011 cents/KWH,
19 the cost recovery factors for firm retail rate classes will
20 be 0.165 cents/KWH for Residential, 0.161 cents/KWH for
21 General Service Non-Demand and Temporary Service (GS, TS),
22 0.135 cents/KWH for General Service Demand and Electric
23 Vehicle-Experimental (GSD, EV-X)-Secondary, 0.133 cents/KWH
24 for General Service Demand and Electric Vehicle-
25 Experimental (GSD, EV-X)-Primary, 0.125 cents/KWH for

1 General Service Large Demand and Firm Standby (GSLD, SBF) -
2 Secondary, 0.124 cents/KWH for General Service Large Demand
3 and Firm Standby (GSLD, SBF) -Primary, 0.123 cents/KWH for
4 General Service Large Demand and Firm Standby (GSLD, SBF) -
5 Subtransmission and 0.063 cents/KWH for Lighting (SL, OL).
6 Exhibit No. (HTB-2), Conservation Costs Projected, pages 3
7 through 8 contain the Commission prescribed forms which
8 detail these estimates.

9
10 Q. Mr. Bryant, has Tampa Electric Company complied with the
11 ECCR cost allocation methodology stated in Docket No.
12 930759-EG, Order No. PSC-93-1845-EG?

13
14 A. Yes, it has.

15
16 Q. Does this conclude your testimony?

17
18 A. Yes it does.
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1 **COMMISSIONER CLARK:** And turning to Page 13,
2 we will mark BAB-1 as Exhibit 1. BAB-2 will be
3 Exhibit 2.

4 CS-1 will be Exhibit 3. MFJ-1 will be
5 Exhibit 4. KHW-1 will be Exhibit 5.

6 LMB-1 will be Exhibit 6. LMB-2 will be
7 Exhibit 7.

8 MAP-1 will be Exhibit 8.

9 MDN-1 will be Exhibit 9. MDN-2 will be
10 Exhibit 10. MDN-3 will be Exhibit 11.

11 VIK-1 one will be Exhibit 12, VIK-2 will be
12 Exhibit 13.

13 WBG-1 will be Exhibit 14. WBG-2 will be
14 Exhibit 15.

15 HTB-1 will be Exhibit 16, and HTB-2 will be
16 Exhibit 17.

17 Is there any other evidence that we have to
18 include in the record?

19 **MR. KEATING:** I don't believe so.

20 (Exhibits 1-17 marked for identification and
21 received in evidence.)

22 **COMMISSIONER CLARK:** All right. At this
23 point I would entertain a motion to approve the
24 stipulations on -- can you give me a list of the
25 issues, Mr. Cochran -- Mr. Keating?

1 **MR. KEATING:** On Issues 1, 2, 3, 4, and
2 that's all the issues.

3 **COMMISSIONER CLARK:** Is there a motion?

4 **COMMISSIONER GARCIA:** So moved.

5 **COMMISSIONER JACOBS:** Second.

6 **COMMISSIONER CLARK:** Show it approved
7 unanimately. That takes care of Docket 980002.

8 * * * * *

9 **MR. KEATING:** Commissioner Clark, if I could
10 go back to the 02 docket I believe you may have also
11 passed over an exhibit that was not previously
12 identified or named, and that's on Page 2 of the
13 prehearing order -- I'm sorry -- Page 15 of the
14 prehearing order in 02.

15 **COMMISSIONER CLARK:** Page what?

16 **MR. KEATING:** 15.

17 **COMMISSIONER CLARK:** Yes, I did skip over
18 that. I'm sorry.

19 **MR. KEATING:** That was the exhibits to
20 Mr. Stitt's testimony from St. Joe Natural Gas.

21 **COMMISSIONER CLARK:** Just so the record is
22 clear, in the 980002 docket, we would also mark as an
23 exhibit and admit into the record Schedules C1 through
24 C4 attached -- or for St. Joe Natural Gas as
25 Exhibit 18.

1 (Exhibit 18 marked for identification and
2 received in evidence.)

3 * * * * *

4 (Whereupon the discussion of Docket
5 No. 980002-EG concluded.)

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1 STATE OF FLORIDA)
2 COUNTY OF LEON)

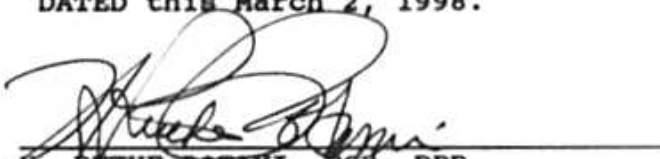
CERTIFICATE OF REPORTER

3 I, H. RUTHE POTAMI, CSR, RPR Official
4 Commission Reporter,

5 DO HEREBY CERTIFY that the Hearing in Docket
6 No. 980002-EG was heard by the Florida Public Service
7 Commission at the time and place herein stated; it is
8 further

9 CERTIFIED that I stenographically reported
10 the said proceedings; that the same has been
11 transcribed under my direct supervision; and that this
12 transcript, consisting of 110 pages, constitutes a
13 true transcription of my notes of said proceedings
14 and the insertion of the prescribed prefilled
15 testimony of the witnesses.

16 DATED this March 2, 1998.



17 H. RUTHE POTAMI, CSR, RPR
18 Official Commission Reporter
19 (904) 413-6732
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