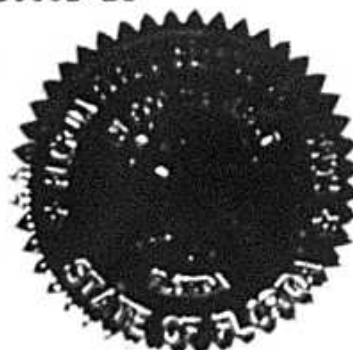


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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of : DOCKET NO. 980002-EG
: :
Energy conservation :
cost recovery clause. :



PROCEEDINGS: HEARING

COMMISSIONER SUSAN F. CLARK
COMMISSIONER JOE GARCIA
(Video teleconferencing from Miami)
COMMISSIONER E. LEON JACOBS, JR.

DATE: Monday, November 23, 1998

TIME: Commenced at 9:30 a.m.
Concluded at 11:30 a.m.

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

REPORTED BY: H. RUTHE POTAMI, CSR, RPR
Official Commission Reporter
(904) 413-6734

DOCUMENT NUMBER - DATE

1360 / DEC-3 98

FPSC RECORDS/REPORTING

1 **APPEARANCES:**

2 **JEFFREY A. STONE** and **RUSSELL A. BADDERS,**
3 **Beggs & Lane, 700 Blount Building, 3 West Garden**
4 **Street, Post Office Box 12950, Pensacola, Florida**
5 **32576-2950, appearing on behalf of Gulf Power Company.**

6 **JOHN McWHIRTER, JR., McWhirter, Reeves,**
7 **McGlothlin, Davidson, Decker, Kaufman, Arnold & Steen,**
8 **Post Office Box 3350, Tampa, Florida 32601-3350,**
9 **appearing on behalf of Florida Industrial Power Users**
10 **Group (FIPUG).**

11 **JOHN ROGER HOWE, Deputy Public Counsel,**
12 **Office of Public Counsel, 111 West Madison Street,**
13 **Room 812, Tallahassee, Florida 32399-1400, appearing**
14 **on behalf of the Citizens of the State of Florida.**

15 **WILLIAM COCHRAN KEATING, IV, Florida Public**
16 **Service Commission, Division of Legal Services, 2540**
17 **Shumard Oak Boulevard, Tallahassee, Florida**
18 **32399-0870, appearing on behalf of the Commission**
19 **Staff.**

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I N D E X

WITNESSES

NAME	PAGE NO.
M. F. JACOB Prefiled Direct Testimony Inserted Into the Record by Stipulation	8
LEONOR BUSTO Prefiled Direct Testimony Inserted Into the Record by Stipulation	15
MARGARET D. NEYMAN Prefiled Direct Testimony Inserted Into the Record by Stipulation	25

EXHIBITS

NUMBER	ID.	ADMTD.
1 MFJ-1 and MFJ-2	7	7
2 LMB-1 and LMB-2	7	7
3 MDN-1 AND MDN-2	7	7

MISCELLANEOUS

ITEM	PAGE NO.
CERTIFICATE OF REPORTER	40

1 P R O C E E D I N G S

2 (Hearing convened at 9:30 a.m.)

3 **COMMISSIONER CLARK:** Let's call the hearing
4 to order. Ms. Paugh, if you could walk me through
5 everything I need to do.

6 **MS. PAUGH:** We'll commence by reading the
7 notices.

8 **COMMISSIONER CLARK:** That's a good idea.

9 **MR. KEATING:** Pursuant to notice issued
10 October 19th, 1998, this time and place have been set
11 for a hearing in the following dockets: Docket
12 No. 980001-EI, fuel and purchased power cost recovery
13 clause and generating performance incentive factor;
14 Docket 980002-EG, energy conservation cost recovery
15 clause; Docket No. 980003-GU, purchased gas adjustment
16 true-up; and Docket No. 980007-EI, environmental cost
17 recovery clause.

18 **COMMISSIONER CLARK:** Take appearances.

19 **MR. STONE:** Commissioner, I'm
20 Jeffrey A. Stone of the law firm Beggs & Lane,
21 appearing today on behalf of Gulf Power Company.

22 **MR. WILLIS:** I'm Lee L. Willis of Ausley,
23 McMullen, P.O. Box 391, Tallahassee, Florida, 32302,
24 appearing together with James D. Beasley of the same
25 firm, P.O. Box 391, Tallahassee, Florida 32302,

1 appearing on behalf of Tampa Electric Company.

2 **MS. PAUGH:** If counsel could indicate which
3 dockets they're appearing for, that would be helpful
4 for the record.

5 **MR. WILLIS:** I'm appearing in both the 01
6 and 07 docket.

7 **MR. STONE:** And stepping back to me, I'm
8 appearing on behalf of Gulf Power Company in the 01,
9 the 02 and the 07 docket.

10 **MR. CHILDS:** Commissioner, my name is
11 Matthew Childs of the firm of Steel Hector & Davis.
12 I'm appearing on behalf of Florida Power & Light
13 Company in the 07 docket.

14 **MR. McWHIRTER:** My name is John McWhirter,
15 appearing on behalf of the Florida Industrial Power
16 Users Groups, appearing in Dockets 01, 02, 03 and 07.

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

21 **MS. PAUGH:** Leslie Paugh, on behalf of Staff
22 in the 01 and 07 dockets.

23 **MR. KEATING:** Cochran Keating, appearing on
24 behalf of Staff in the 02 and 03 dockets.

25 **COMMISSIONER CLARK:** Does Staff have a

1 suggestion of how we should proceed?

2 **MS. FAUGH:** We do.

3 **MR. KEATING:** Staff suggests that we take
4 the 03 docket first, followed by the 02 docket; then
5 the 01 docket, and finally the 07 docket.

6 **COMMISSIONER CLARK:** All right. We'll do
7 that.

8 (Whereupon other dockets were discussed.)

9 * * * * *

10 **MR. KEATING:** And Docket 980002, we also
11 have a stipulation on all the issues, so again Staff
12 would recommend Staff would recommend that the
13 prefiled testimony of the witnesses listed on Page 5
14 of the prehearing order -- and that would be
15 M. F. Jacob, Leonor Busto and Margaret D. Neyman --

16 **COMMISSIONER CLARK:** The testimony of those
17 witnesses will be entered in the record as though
18 read.

19 **MR. KEATING:** And, again, that is all direct
20 testimony.

21 **COMMISSIONER CLARK:** Okay.

22 **MR. KEATING:** Staff also recommends that the
23 exhibits listed on Page 8 of the prehearing order be
24 marked for identification starting with the exhibit
25 identified as MFJ-1. Would you also like to make all

1 exhibits from the same witness a composite?

2 **COMMISSIONER CLARK:** Yes. So MFJ-1 and 2
3 will be Composite Exhibit 1.

4 **MR. KEATING:** Correct. Exhibits LMB-1 and 2
5 will be marked as Composite Exhibit 2, and
6 Exhibits MDN-1 and 2 will be marked as composite
7 Exhibit 3.

8 **COMMISSIONER CLARK:** And Exhibits 1, 2,
9 and 3 will be admitted in the record without
10 objection.

11 (Exhibits 1-3 marked for identification and
12 received in evidence.)

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**FLORIDA POWER CORPORATION
DOCKET No. 980002-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 1997 through March 1998 time frame with the
17 revenues collected pursuant to the conservation cost recover factor for that
18 same period of time.

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 conservation programs approved by the Commission
4 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
21 **Q. Do you have any Exhibits to your testimony?**

22 A. Yes, Exhibit No. ___ (MFJ-1) is entitled, "Florida Power Corporation Energy
23 Conservation Adjusted Net True-Up for the Period October, 1997 through
24 March, 1998." There are five (5) schedules to this exhibit.

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

2 A. Yes. My exhibit presents Schedules CT-1 through CT-5. These schedules set
3 out the actual costs incurred for all programs during the six month period from
4 October 1997 through March 1998. These pages also describe the variance
5 between actual costs and previously estimated values that were based on two
6 months actual and four months projected data for the same time period.
7 Schedule CT-5 provides a brief summary report for each program that includes
8 a program description, fiscal expenditures for the October 1997 through March
9 1998 period, program accomplishments over the same period, and a summary
10 of program progress.

11
12 **Q. Would you please discuss Schedule CT-1?**

13 A. Yes. Schedule CT-1 for the six month period ending March 1998 shows that
14 Florida Power Corporation over-recovered \$12,735,283, including principal,
15 interest, and a revenue decoupling adjustment, in its Conservation Cost
16 Recovery Clause. This amount is \$1,576,523 more than what was previously
17 projected.

18
19 **Q. Does this conclude your direct testimony?**

20 A. Yes.

FLORIDA POWER CORPORATION
DOCKET No. 980002-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 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
11 last 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 of the
16 Company's Demand-Side Management Plan as approved by the Florida Public
17 Service Commission. I will detail the projected costs for implementing each
18 program in that plan, explain how these costs are presented in the attached
19 exhibit, and show the resulting conservation adjustment factors (in \$/1,000
20 kWh).

1

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

3 A. Yes, Exhibit No. 1 (MFJ-1) is entitled, "Summary of Cost Recovery
4 Clause Calculations for the Period January 1999 through December 1999."
5

6

7 **Q. For what programs does FPC seek recovery?**

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

- 13 • Home Energy Check
- 14 • Home Energy Improvement
- 15 • Residential New Construction
- 16 • Energy Management (Includes Residential and Commercial Energy
17 Management and Load Management Switches.)
- 18 • Business Energy Check
- 19 • Better Business
- 20 • Commercial/Industrial New Construction
- 21 • Innovation Incentive
- 22 • Standby Generation
- 23 • Interruptible Service
- 24 • Curtailable Service
- 25 • Technology Development
- Gas Demonstration

- Qualifying Facility

Q. Will you please explain Exhibit No. 17

A. Yes. Exhibit 1 consists of Schedules C-1 through C-5. Schedule C-1 provides a summary of cost recovery clause calculations and information by retail rate schedule. Schedule C-2 provides the monthly and total conservation program cost estimates during the projection period of January 1999 through December 1999 for each conservation program as well as for common administration expenses. Additionally, Schedule C-2 presents the program costs by specific category (i.e. payroll, materials, incentives, etc.) and includes a schedule of estimated capital investments, depreciation and return for the projection period.

Schedule C-3 contains a detailed breakdown of conservation program costs by specific category and by month for the actual/estimated period of April through August 1998 (actual) and September 1998 through December 1998 (estimated). In addition, Schedule C-3 presents a schedule of estimated capital investment, depreciation and return, an energy conservation adjustment calculation of true-up, and a calculation of interest provision for the actual/estimated period of April 1998 through December 1998. Schedule C-4 projects Energy Conservation Cost Recovery (ECCR) revenues during the January 1999 through December 1999 projection period. Schedule C-5 presents a brief description of each program, as well as a summary of progress and projected expenditures for each program for which FPC seeks cost recovery as part of the Energy Conservation Cost Recovery Clause.

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

2 A. Schedule C-2, Page 1 of 6, Line 22, shows total net program costs of
3 \$78,210,482 for the January 1999 through December 1999 projection period.

4

5 Based on the results contained in Schedule C-1, Page 1 of 4, Lines 18 - 20, the
6 following table presents the projected conservation cost recovery charge in
7 dollars per 1,000 kilowatt-hours by retail rate class for the time period January
8 1999 through December 1999.

9

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

11		Secondary	Primary	Transmission
12	<u>Retail Rate Schedule</u>	<u>Voltage</u>	<u>Voltage</u>	<u>Voltage</u>
13	Residential	\$3.21	N/A	N/A
14	General Service Non-Demand	\$2.18	\$2.16	\$2.14
15	General Service 100% Load Factor	\$1.59	N/A	N/A
16	General Service Demand	\$1.87	\$1.85	\$1.83
17	Curtaillable	\$1.62	\$1.60	\$1.59
18	Interruptible	\$1.54	\$1.52	\$1.51
19	Lighting	\$0.78	N/A	N/A

20

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

22 A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**FLORIDA POWER & LIGHT COMPANY****TESTIMONY OF LEONOR M. BUSTO****DOCKET NO. 980002-EG****June 30, 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. 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 responsible

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

3

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

5 A. The purpose of my testimony are (1) to present the conservation related revenues
6 and costs associated with FPL's energy conservation programs for the period
7 October 1, 1997 through March 31, 1998, and (2) to present the net underrecovery
8 for the period October 1, 1997 through March 31, 1998 to be carried forward for
9 calculation of FPL's new ECCR factors.

10

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

13 A. Yes. I am sponsoring Exhibit LMB-1, which is attached to my testimony, and
14 consists of Schedules CT-1 through CT-6, and Appendix A. Appendix A is the
15 documentation required by Rule 25-17.015(5), F.A.C. regarding specific claims of
16 energy savings in advertisements. While I am sponsoring all of Exhibit LMB-1,
17 parts of the exhibit were prepared at my request by Ms. Korel M. Dubin, Principal
18 Rate Analyst, Rates and Tariffs Department, who is available to respond to any
19 questions which the parties or the Commission may have regarding those parts.
20 Exhibit LMB-1, Table of Contents, Page 1 of 1, identifies the portions prepared
21 by, or under the supervision of, Ms. Dubin and me.

22

23 **Q. Please explain why your testimony and FPL's true-up petition have been
24 filed ahead of schedule.**

1 A. In Order No. PSC-98-0691-FOF-PU the Commission decided to change the
2 recovery period for all adjustment clauses for investor-owned electric and gas
3 utilities to an annual, calendar year. In doing so, the Commission observed that
4 such a change would create a number of advantages and that such advantages
5 would not be realized unless the recovery period for the ECCR clause was
6 consistent with the recovery period for the other clauses. To make the recovery
7 period for the ECCR clause consistent with the recovery period for other clauses,
8 the Commission decided in Order No. PSC-98-0691-FOF-PU to initiate rule
9 making to modify Rule 25-17.015, F.A.C. so the recovery period for the ECCR
10 clause ran during the calendar year rather than from April through March.
11 However, the Commission also recognized that it could not modify Rule 25-
12 17.015 in time to effect that change before the scheduled hearings on the
13 ECCR factors for 1999, so it stated it would target a rule change for the year 2000.
14
15 To secure the advantages the Commission recognized in Order No. PSC-98-0691-
16 FOF-PU, FPL has petitioned the Commission requesting a waiver of portions of
17 Rule 25-17.015(1), F.A.C. so that FPL may file for ECCR factors for the calendar
18 year 1999. While the Commission did not have enough time to amend the rule
19 before the 1999 factors were set, FPL believes the Commission may waive the
20 rule. To facilitate the Commission's consideration of FPL's rule waiver request,
21 FPL has filed this true-up filing earlier than scheduled so that the Commission and
22 parties have time to review the filing and reach the conclusion that a rule waiver
23 has merit.

1 **Please explain why the true-up period in your testimony and FPL's true-up**
2 **petition is October 1997 through March 1998 rather than a twelve month**
3 **period beginning April 1 as contemplated by Rule 25-17.051(1) (A).**

4 **A.** Rule 25-17.015(1)(a) states that a utility seeking ECCR cost recovery shall file,
5 "an annual final true-up filing showing the common costs, individual programs
6 costs and revenues, and actual total ECCR revenues for the most recent 12-month
7 historical period from April 1 through March 31 that ends prior to the annual
8 ECCR proceedings." For the proceedings scheduled for the first quarter of 1999,
9 that twelve month period would be April 1, 1997 through March 31, 1998,
10 because the twelve month period ending March 31, 1999 would not yet be ended.

11
12 However, the current ECCR factors approved for FPL already has a final
13 true-up through September 1997, six months through the true-up period
14 contemplated in Rule 25-17.015. When Rule 25-17.015 was amended in
15 November of 1997 to reflect the new April through March recovery and true-up
16 periods, no arrangement was made for the transition from the then existing
17 recovery periods to the new annual, calendar year period. Consequently, to make
18 the transition from the final true-up period underlying the current ECCR factors,
19 FPL is filing a six month true up period from October 1997 through March 1998.
20 This avoids repeating a final true-up for a period already subject to a final true-up,
21 April 1997 through September 1997.

22

23 **Q. When will FPL submit its projection filing?**

1 If FPL is successful and receives a waiver of Rule 25-17.015, F.A.C., FPL will
2 submit a projection filing with calendar year 1999 ECCR factors in early October
3 1998. If FPL is unsuccessful with its rule waiver request, FPL plans to file a
4 projection filing in January 1999 as contemplated by the current schedule.
5

6 **Q. What is the actual net true-up amount which FPL is requesting for the**
7 **October 1997 through March 1998 period?**

8 A. FPL has calculated and is requesting approval of an underrecovery of
9 \$1,356,129 as the actual net true-up amount for that period.
10

11 **Q. What is the adjusted net true-up amount which FPL is requesting for the**
12 **October 1997 through March 1998 period which is to be carried over and**
13 **collected in the January 1999 through December 1999 period.**

14 FPL has calculated and is requesting approval of an underrecovery of \$1,389,882
15 as the adjusted net true-up amount for that period. The adjusted net true-up of an
16 underrecovery of \$1,389,882 is the difference between the actual net true-up of
17 an underrecovery of \$1,356,129 and the estimated/actual net true-up of an
18 overrecovery of \$33,756 approved by the Commission at the February 1998
19 Hearing. This is shown on Exhibit____, (LMB-1), Schedules CT-1 Page 1 of 1,
20 and CT-2 Page 1 of 5.
21

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

23 A. Yes they are.

1 Q. During the October 1997 through March 1998 period is FPL seeking
2 recovery of any advertising which makes a specific claim of potential energy
3 savings or states appliance efficiency ratings or savings?

4 A. Yes. A copy of the advertising, data sources and calculations used to substantiate
5 the savings are included in Appendix A, Pages 1-A through 7-E.

6

7 Q. How did your actual program expenditures for October 1997 through March
8 1998 compare to the Estimated/Actual and original estimated projections for
9 that period presented at the February 1998 Hearing?

10 A. At the February 1998 Hearing, total expenditures for October 1997 through March
11 1998 were estimated to be \$78,404,166. The actual expenditures for the period
12 were \$79,263,725. This represents a period variance of \$859,559 more than
13 projected. This variance is shown on Schedule CT-2, Page 3 of 5, Line 34, and is
14 explained in Schedule CT-6.

15

16 Q. Was the calculation of the adjusted net true-up amount for the period
17 October 1997 through March 1998 period performed consistently with the
18 prior true-up calculations in this and the predecessor conservation cost
19 recovery dockets?

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

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

3 A. Unless otherwise indicated, the data used in calculating the adjusted net true-up
4 amount is taken from the books and records of FPL. The books and records are
5 kept in the regular course of our business in accordance with generally accepted
6 accounting principles and practices, and provisions of the Uniform System of
7 Accounts as prescribed by this Commission. As directed in Rule 25-17.015,
8 F.A.C., Schedules CT-2, Pages 4 and 5 of 5 provide a complete list of all account
9 numbers used for conservation cost recovery during the period October 1997
10 through March 1998.

11

12 Q. Does that conclude your testimony?

13 A. Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**FLORIDA POWER & LIGHT COMPANY****TESTIMONY OF LEONOR M. BUSTO****DOCKET NO. 980002-EG****October 5, 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. What are your responsibilities and duties as an Administration and
10 Regulatory Supervisor?**

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

16

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

1 A. The purpose is to submit for Commission review and approval the projected
2 ECCR costs to be incurred by FPL during the months of January 1999 through
3 December 1999, as well as the actual/estimated ECCR costs for April 1998
4 through December 1998, for our Demand Side Management programs. I also
5 present the total level of costs FPL seeks to recover through its Conservation
6 Factors during the period January 1999 through December 1999, as well as the
7 Conservation Factors which, when applied to our customers' bills during the
8 period January 1999 through December 1999, will permit the recovery of total
9 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 is attached to my testimony and
13 consists of Schedules C-1 through C-5. While I am sponsoring all of Exhibit
14 LMB-2, parts of the exhibit were prepared at my request by Ms. Korel M. Dubin,
15 Principal Rate Analyst, Rates and Tariff Administration, who is 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, or under the supervision of, 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 April 1998 through July 1998 are taken
4 from the books and records of FPL. Expenditures for the months of August 1998
5 through December 1998 and January 1999 through December 1999 are
6 projections based upon a detailed month-by-month analysis of the expenditures
7 expected for each program at each location within FPL where such costs are
8 incurred. These projections are developed by each FPL location where costs are
9 incurred and take into consideration not only cost levels but also market
10 penetrations. They have been subjected to FPL's budgeting process and an on-
11 going cost-justification process.
- 12
- 13 **Q. Why is FPL filing the projection for the months of January through**
14 **December ?**
- 15 A. In Order No. PSC-98-1211-FOF-EI the Commission approved FPL's petition for
16 waiver of Rule 25-17.015(1), F.A.C., allowing FPL's ECCR projection filing for
17 the period January 1, 1999 through December 31, 1999.
- 18
- 19 **Q. Does that conclude your testimony?**
- 20 A. Yes, it does.

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 October 12, 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. 3 (MDN-2).

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 January, 1999, through December, 1999, recovery
10 period and the results of those programs during the
11 recovery period, April, 1998, through December, 1998,
12 (4 months actual, 5 months estimated).

13

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

17 A. Projected expenses for the period were \$829,468
18 compared to actual expenses of \$801,894 for a
19 difference of \$27,574 or 3.32% 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, April, 1998, through July,
3 1998?

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 January, 1999 through December,
9 1999 recovery period?

10 A. Program costs for the recovery period are projected to
11 be \$2,288,183. These costs are broken down as follows:
12 depreciation/amortization and return, \$480,565;
13 payroll/benefits, \$1,541,532; materials/expenses,
14 \$608,450; advertising, \$347,313; and vehicles, \$55,818;
15 all of which are offset by program revenues, \$366,930.
16 More detail is contained in my Schedule C-2.

17

18 Q. Would you review the expected results for your programs
19 during the January, 1999, through December, 1999,
20 recovery period?

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

22 (1) Residential Energy Audits - During the period,
23 2,000 audits are projected to be completed. These
24 audits emphasize selling customers on making
25 conservation improvements.

- 1 (2) Residential Mail-In Audit - This is a direct mail
2 energy auditing program. This program builds on
3 the success of Gulf's existing Residential Energy
4 Audit program and will assist in the evaluation of
5 the specific energy requirements of a residential
6 dwelling. Gulf expects 1,000 participants during
7 the projection period.
- 8 (3) Gulf Express Loan Program - This program is no
9 longer accepting new loans. No units are
10 projected during this period. The projected costs
11 are for the administration of existing loans.
- 12 (4) In Concert With The Environment - This energy
13 awareness program is being presented to 8th and
14 9th grade students as a supplement to the
15 residential audit program. During the period,
16 1,000 students are projected to receive the
17 presentation.
- 18 (5) Duct Leakage Repair - The object of the program is
19 to provide the customer with a means to identify
20 house air duct leakage and recommend repairs that
21 can reduce customer kWh energy usage and kW
22 demand. During the period, 20 homes are projected
23 to participate in this program.
- 24 (6) Geothermal Heat Pump - The objective of this
25 program is to reduce the demand and energy

1 requirements of new and existing residential
2 customers through the promotion and installation
3 of geothermal systems. During the projection
4 period, 400 customers are expected to participate
5 in the program.

- 6 (8) Residential Advanced Energy Management - The
7 program is designed to provide the customer with a
8 means of conveniently and automatically
9 controlling and monitoring his/her energy
10 purchases in response to prices that vary during
11 the day and by season in relation to the Company's
12 cost of producing or purchasing energy. The AEM
13 system includes field units utilizing a
14 communication gateway, a radio frequency (RF)
15 based Local Area Network (LAN), major appliance
16 load control relays, and a proprietary,
17 programmable thermostat (Superstat), all operating
18 at the customer's home. This program will be
19 marketed under the name "GoodCents Select."

20
21 Gulf expects 6,750 customers to participate in
22 this program by the end of this projection period.
23 The startup of the program has been delayed
24 because of several factors. Please refer to M.D.
25 Neyman testimony, Docket No. 980002-EG, January

1 13, 1998, for a detailed explanation of the
2 factors contributing to the delay in full
3 implementation.

4
5 The expected prototype units have been delivered,
6 but the production units have been delayed due to
7 failures of electronic components during testing.
8 Gulf now estimates production units will not
9 arrive until late 1998.

10
11 Despite the unpreventable delays that have
12 occurred, Gulf still believes that the AEM System
13 is a viable program. Gulf's near term residential
14 conservation goals have been adversely impacted as
15 a result of the delays in implementing AEM, but
16 the process has produced the most cost-effective
17 solution that is currently possible.

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

- 1 (9) GoodCents Building - This program includes both
2 new and existing commercial customers. For the
3 period, 215 installations are projected.
4 Implementation strategies will concentrate on
5 architects, engineers, developers and other
6 decision makers in the construction process.
- 7 (10) Energy Audits and Technical Assistance Audits -
8 Gulf projects 156 audits for the period. Emphasis
9 will be placed on audits for large, complex
10 commercial customers such as hospitals, hotels and
11 office buildings. These audits will focus on the
12 benefits of alternative technologies such as heat
13 pump water heaters and geothermal technologies.
- 14 (11) Commercial/Industrial Mail-In Audit - This is a
15 direct mail energy auditing program. This program
16 builds on the success of Gulf's existing
17 Commercial/Industrial Energy Audit program and
18 will assist in the evaluation of the specific
19 energy requirements of a given business type.
20 Gulf expects 950 participants during the
21 projection period.
- 22 (12) Solar for Schools Pilot - This program uses "green
23 pricing" to fund solar technologies in public
24 schools. It also incorporates a school-based
25 energy education component as well as enhanced

1 security lighting for schools. During the
2 projection period, Gulf will continue evaluating
3 various implementation options for Solar for
4 School. In addition, Gulf will develop and
5 implement a "green pricing" promotion plan.

6 (13) Conservation Demonstration and Development -

7 For this period, 16 research projects have been
8 identified. A detailed description of each
9 project is in Schedule C-2.

10

11 Q. Ms. Neyman, what amount does Gulf propose to bill for
12 the months January, 1999, through December, 1999, as
13 Energy Conservation Cost Recovery factors?

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

16

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

18 A. Yes, it does.

19

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1 **COMMISSIONER CLARK:** And Staff recommends we
2 approve the stipulated issues in Docket 980002?

3 **MR. KEATING:** That's correct. That's on
4 Issues 1 and 2, which is all the issues in the docket.

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

6 **COMMISSIONER GARCIA:** I'll move it.

7 **COMMISSIONER JACOBS:** Second.

8 **COMMISSIONER CLARK:** Show the stipulated
9 issues approved without objection.

10 Now we move to --

11 **MS. PAUGH:** 980001, Commissioner.

12 **COMMISSIONER CLARK:** Okay.

13 (Whereupon other dockets were discussed.)

14 * * * * *

15 **COMMISSIONER CLARK:** Anything further to
16 come before the Commission?

17 **MR. McWHIRTER:** I'd like to make a statement
18 for the record, if I may.

19 **COMMISSIONER CLARK:** Yes, Mr. McWhirter.

20 **MR. McWHIRTER:** This is the first proceeding
21 in which the Commission has moved from semiannual to
22 annual proceeding. And when you first considered this
23 prospect, our firm expressed some serious concern
24 about judicial due process because of the limited
25 period of time in which massive amounts of information

1 would have to be analyzed and dealt with.

2 The collections that you're approving today
3 are for prospective periods that will be trued up.
4 The due process issue comes out like this: We first
5 saw the testimony and exhibits filed by 12 separate
6 utilities the first week in October. It entails
7 analyzing that information; not only the information
8 that is contained in the filings, but also the
9 information that may have been omitted from the
10 filings.

11 To understand that, to deal with it
12 effectively it requires expert participation.
13 Utilities have numerous experts that are presenting
14 their testimony. Consumer advocates have to locate
15 and employ an expert. The expert has to have time to
16 consider what's in the record and what has been
17 omitted from the record. And then under your
18 discovery rules, if we pose requests for production
19 and interrogatories, the utilities have 30 days in
20 which to respond.

21 I would suggest to you humbly that in order
22 to do any even piecemeal analysis in order to
23 determine what the real issues in the case are, it
24 would take 30 days or so. That puts us in the first
25 week of November, and when you have the hearings the

1 third week of November immediately before the
2 Thanksgiving holidays, I would suggest to you that we
3 can't be expected to do a reasonable case in order to
4 present meaningful facts to you in a meaningful way.

5 I don't suggest that the Commission was
6 wrong in moving to an annual proceeding. I think
7 probably it's appropriate at this time because of the
8 fact that prices are not nearly so volatile as they
9 were when these cost recovery proceedings were
10 instituted initially.

11 But what I would also suggest to you is that
12 since these rates are prospective and since we've got
13 a year to live with them, that the Commission give a
14 friendly eye to discovery that has -- may be filed
15 subsequent to today's proceeding in which we may wish
16 to plumb certain transactions such as affiliated
17 transactions in which a utility buys product from its
18 sister companies.

19 As you know, much of the information that's
20 filed in these cases is under the umbrella of secrecy
21 because they're fearful in a competitive environment
22 the utilities' information will be misused, and as a
23 consequence, we don't have the information there.

24 So we would like to have you give us your
25 pledge, if you would, that when we come in during the

1 course of this year to maybe further investigate some
2 of these circumstances and explore them, that the
3 Commission not take the attitude that the decision was
4 made today, it is now chiseled in stone, and it's too
5 late to engage discovery.

6 **MR. WILLIS:** Before you go do something that
7 is just thrown here on the table at the last minute, I
8 think that you should -- if any such action is taken
9 by Mr. McWhirter, you should take it into account
10 after responses have been filed by the companies that
11 are involved and to take a reasoned decision rather
12 than giving -- making statements off the cuff here in
13 response to something that has just been presented
14 here for the first time.

15 I think that with respect to the procedures
16 followed here that the planned workshops at the
17 beginning of next year to further discuss how we can
18 make the procedures more meaningful and easy for all
19 concerned -- and that is one of the things that
20 Mr. McWhirter could discuss at that time and can be
21 resolved later by the Commission if no agreement is
22 made among the parties after full discussion.

23 **COMMISSIONER CLARK:** Well, Mr. McWhirter, it
24 appears as if we still haven't determined exactly what
25 our procedures are going to be going to a yearly

1 activity. And as I understand what Mr. Willis just
2 said, we'll be having a workshop on how we should
3 proceed in these cases; is that correct, Staff?

4 **MS. PAUGH:** That's correct. Those were
5 Issues 7 and 7A, as I recall.

6 **COMMISSIONER CLARK:** It sounds like we're
7 going to be looking at it.

8 **MR. McWHIRTER:** Well, I think -- I certainly
9 welcome the opportunity to participate in a workshop
10 that's designed to make the procedure more meaningful.
11 But I'm not talking about procedural matters, I'm
12 talking about substantive matters; and all I suggest
13 to you is if we are -- when we seek discovery on
14 substantive issues that were dealt with in this case,
15 that the Commission determine now that it will not
16 summarily dismiss our opportunity to inquire further,
17 since this is an open docket.

18 **COMMISSIONER CLARK:** I don't think that's a
19 decision we have to make now. I was going to say,
20 well, who is the prehearing officer, but I seem to
21 recall it's me. (Laughter)

22 It seems to me that if and when you make
23 that request, it would be appropriate to hear our
24 arguments on the pros and cons of doing that, and I
25 can tell you if it comes before the prehearing

1 officer -- I don't know if it will be me -- I'll have
2 an open mind.

3 I think we're embarking on a different
4 strategy for these things, and I think we were
5 concerned at the time about the notion of giving
6 enough time to review information and prepare for
7 hearing. So we'll take it up at the time you feel the
8 need to exercise that.

9 **MR. McWHIRTER:** Well, I understand from what
10 you've said that your previous prehearing order does
11 not preempt continuing discovery in this matter.

12 **MR. WILLIS:** I don't think she made any such
13 decision. That's not before her.

14 **COMMISSIONER CLARK:** Mr. McWhirter, I'm not
15 prepared to say yea or nay on that.

16 **COMMISSIONER JACOBS:** It's an open docket.
17 That's about it.

18 **MS. PAUGH:** These are open ongoing dockets
19 at all times. Discovery can be had at all times. We
20 close the docket down from one year, and at the same
21 time open up the next one. So there is no reason why
22 you can't commence discovery in this docket tomorrow
23 if you so desire.

24 **MR. McWHIRTER:** Thank you very much.

25 **COMMISSIONER CLARK:** Okay. Anything else we

1 have to take up at this time?

2 MS. PAUGH: Not from Staff.

3 COMMISSIONER CLARK: Well, thank you all for
4 your hard work on this case. And I wish you all a
5 happy Thanksgiving.

6 (Thereupon, the hearing concluded
7 at 11:30 a.m.)

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1 STATE OF FLORIDA)
2 : CERTIFICATE OF REPORTER
3 COUNTY OF LEON)

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

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

10 CERTIFIED that I stenographically reported
11 the said proceedings; that the same has been
12 transcribed under my direct supervision; and that this
13 transcript, consisting of 39 pages, constitutes a true
14 transcription of my notes of said proceedings and the
15 insertion of the prescribed prefiled testimony of the
16 witnesses.

17 DATED this 30th day of November, 1998.

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24
25

H. RUTHE POTAMI, CSR, RPR
Official Commission Reporter
(904) 413-6734

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