

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

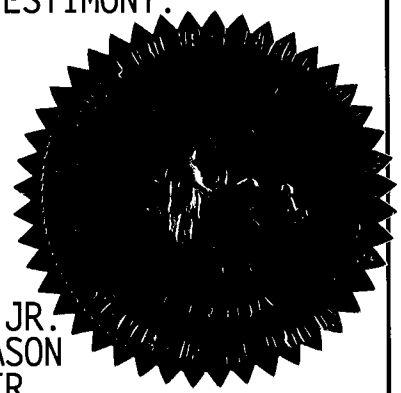
DOCKET NO. 010002-EG

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In the Matter of

ENERGY CONSERVATION
COST RECOVERY CLAUSE.

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PROCEEDINGS: HEARING

BEFORE: CHAIRMAN E. LEON JACOBS, JR.
COMMISSIONER J. TERRY DEASON
COMMISSIONER LILA A. JABER
COMMISSIONER BRAULIO L. BAEZ
COMMISSIONER MICHAEL A. PALECKI

DATE: Tuesday, November 20, 2001

TIME: Commenced at 9:30 a.m.
Concluded at 5:25 p.m.

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

REPORTED BY: JANE FAUROT, RPR
Chief, Office of Hearing Reporter Services
FPSC Division of Commission Clerk and
Administrative Services
(850) 413-6732

1 APPEARANCES:

2 JOHN McWHIRTER, JR., and VICKI GORDON
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4 Rief and Bakas, 117 South Calhoun Street, Suite 716,
5 Tallahassee, Florida 32301, appearing on behalf of
6 Florida Industrial Power Users Group (FIPUG).

7 JAMES A. McGEE, Florida Power Corporation,
8 Post Office Box 14042, St. Petersburg, Florida
9 33733-4042, appearing on behalf of Florida Power
10 Corporation (FPC).

11 MATTHEW CHILDS, Steel, Hector & Davis,
12 LLP, 215 South Monroe Street, Suite 601,
13 Tallahassee, Florida 32301, appearing on behalf of
14 Florida Power and Light Company (FPL).

15 JEFFREY A. STONE and RUSSELL A. BADDERS,
16 Beggs & Lane, 700 Blount Building, 3 West Garden
17 Street, Post Office Box 12950, Pensacola, Florida
18 32576-2950, appearing on behalf of Gulf Power
19 Company (GULF).

20 LEE L. WILLIS and JAMES D. BEASLEY, Ausley
21 & McMullen, Post Office Box 391, Tallahassee,
22 Florida 32302, appearing on behalf of Tampa Electric
23 Company (TECO).

24

25

1 APPEARANCES CONTINUED:

2 ROBERT VANDIVER, Deputy Public Counsel,
3 Office of Public Counsel, 111 West Madison Street,
4 Room 812, Tallahassee, Florida 32399-1400, appearing
5 on behalf of the Citizens of the State of Florida.

6 MARLENE K. STERN, Florida Public Service
7 Commission, Division of Legal Services, 2540 Shumard
8 Oak Boulevard, Tallahassee, Florida 32399-0870,
9 appearing on behalf of the Commission Staff.

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WITNESSES

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EXHIBITS

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1 JAM-1 and JAM-2	7	7
2 DR-1, DR-2 and DR-3	17	17
3 LEG-1	17	17
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CHAIRMAN JACOBS: That takes us then to Docket --

MS. STERN: 02. And all testimony goes to stipulated issues or partially stipulated issues. Those issues that are partially stipulated are so designated, because FIPUG and OPC take no position, so staff recommends that at this time all the testimony and exhibits be inserted into the record as though read.

CHAIRMAN JACOBS: Just one moment. Very well. Let's proceed with that, then.

Mr. McGee, did you want to begin?

MR. MCGEE: Yes, sir. Florida Power would move that the testimony of John A. Masiello be inserted into the record as though read.

CHAIRMAN JACOBS: Without objection, show Mr. Masiello's testimony is entered into the record as though read.

MR. MCGEE: And that his exhibit JAM-1 attached to his true-up testimony be admitted into evidence along with his Exhibit JAM-2 that is attached to his projection testimony for the year 2002.

CHAIRMAN JACOBS: That can be marked as one exhibit. Show that marked as Exhibit 1. And you would move that?

MR. MCGEE: We would ask that that be admitted.

CHAIRMAN JACOBS: Without objection, show Exhibit 1 is admitted.

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MR. McGEE: Thank you.

(Composite Exhibit 1 marked for identification and
admitted into the record.)

**FLORIDA POWER CORPORATION
DOCKET NO. 010002-EG**

**DIRECT TESTIMONY OF
JOHN A. MASIELLO**

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

2 A. My name is John A. Masiello. My business address is Florida Power, 3300
3 University Boulevard , Suite 158, Winter Park, Florida , 32792.

4
5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by Florida Power Corporation as Manager of Program
7 Development & Administration.

8
9 **Q. Describe your responsibilities as Manager of Program Development &
10 Administration.**

11 A. I am responsible for managing the development & administration of Florida
12 Power Corporation's residential and commercial Demand Side Management
13 programs as approved by the Florida Public Service Commission.

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

16 A. The purpose of my testimony is to compare the actual costs of
17 implementing conservation programs with the actual revenues collected
18 through the Energy Conservation Cost Recovery Clause during the period
19 January 2000 through December 2000.

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

A. Florida Power Corporation seeks recovery pursuant to the Energy Conservation Cost Recovery Clause for the following conservation programs approved by the Commission as part of Florida Power Corporation's DSM Plan, as well as for Conservation Program Administration (i.e., those common administration expenses not specifically linked to an individual program).

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

Q. Do you have any Exhibits to your testimony?

1 A. Yes, Exhibit No. (JAM-1) entitled, "Florida Power Corporation Energy
2 Conservation Adjusted Net True-Up for the Period January 2000 through
3 December 2000." There are five (5) schedules to this exhibit.

4
5 **Q. Will you please explain your Exhibit?**

6 A. Yes. Exhibit No. (JAM-1) presents Schedules CT-1 through CT-5. These
7 schedules set out the actual costs incurred for all programs during the period
8 from January 2000 through December 2000. They also describe the variance
9 between actual costs and previously projected values for the same time
10 period. Schedule CT-5 provides a brief summary report for each program that
11 includes a program description, annual program expenditures and program
12 accomplishments over the twelve-month period ending December 2000.

13
14 **Q. Would you please discuss Schedule CT-1?**

15 A. Yes. Schedule CT-1 shows that Florida Power's actual net true-up in its
16 Energy Conservation Cost Recovery Clause for the twelve months ending
17 December 2000 was an over-recovery of \$9,617,291 including principal,
18 interest, and revenue decoupling. This amount is \$1,098,128 more than what
19 was previously estimated in FPC'S September 27, 2000 ECCR Projection
20 Filing.

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

23 A. Yes.

FLORIDA POWER CORPORATION
DOCKET No. 010002

DIRECT TESTIMONY OF
JOHN A. MASIELLO

1 Q. State your name and business address.

2 A. My name is John A. Masiello. My business address is Florida Power
3 Corporation, 3300 University Boulevard, Suite 158, Winter Park, Florida
4 32792.

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 Program Development & Administration.

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 any Exhibits to your testimony?**

5 A. Yes, Exhibit No. ___ (JAM-1) consists of five schedules (C-1 through
6 C-5) which support the Energy Conservation Cost Recovery Clause
7 Calculations for the period January 2002 through December 2002.

8
9 **Q. For what programs does FPC seek recovery?**

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

- 16 • Home Energy Check
- 17 • Home Energy Improvement
- 18 • Residential New Construction
- 19 • Low-Income Weatherization Assistance
- 20 • Energy Management (Includes Residential and Commercial
21 Energy Management and Load Management Switches.)
- 22 • Business Energy Check

- 1 • Better Business
- 2 • Commercial/Industrial New Construction
- 3 • Innovation Incentive
- 4 • Standby Generation
- 5 • Interruptible Service
- 6 • Curtailable Service
- 7 • Technology Development
- 8 • Qualifying Facility

9

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

11 A. Exhibit No. ___ (JAM-1) consists of Schedules C-1 through C-5.
12 Schedule C-1 provides a summary of cost recovery clause calculations
13 and information by retail rate schedule. Schedule C-2 provides annual
14 and monthly conservation program cost estimates during the January
15 2002 through December 2002 projection period for each conservation
16 program as well as for common administration expenses. Additionally,
17 Schedule C-2 presents program costs by specific category (i.e. payroll,
18 materials, incentives, etc.) and includes a schedule of estimated capital
19 investments, depreciation and return for the projection period.

20

21 Schedule C-3 contains a detailed breakdown of conservation program
22 costs by specific category and by month for the actual/estimated period

1 of January through July 2001 (actual) and August 2001 through
2 December 2001 (estimated). In addition, Schedule C-3 presents a
3 schedule of capital investment, depreciation and return, an energy
4 conservation adjustment calculation of true-up, and a calculation of
5 interest provision for the actual/estimated period of January 2001
6 through December 2001. Schedule C-4 projects Energy Conservation
7 Cost Recovery (ECCR) revenues during the January 2001 through
8 December 2001 projection period. Schedule C-5 presents a brief
9 description of each program, as well as a summary of progress and
10 projected expenditures for each program for which FPC seeks cost
11 recovery as part of the Energy Conservation Cost Recovery Clause.

12
13 **Q. Would you please summarize the major results from your Exhibit?**

14 **A.** Schedule C-2, Page 1 of 5, Line 22, shows total net program costs of
15 \$68,283,911 for the January 2002 through December 2002 projection
16 period.

17
18 The following table presents the projected conservation cost recovery
19 charge in dollars per 1,000 kilowatt-hours by retail rate class for the
20 time period January 2002 through December 2002, as contained in
21 Schedule C-1, Page 1 of 4, Lines 16 – 19.

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

	Secondary	Primary	Transmission
<u>Retail Rate Schedule</u>	<u>Voltage</u>	<u>Voltage</u>	<u>Voltage</u>
Residential	\$2.07	N/A	N/A
General Service Non-Demand	\$1.65	\$1.63	\$1.62
General Service 100% Load Factor	\$1.30	N/A	N/A
General Service Demand	\$1.48	\$1.47	\$1.45
Curtable	\$1.15	\$1.14	\$1.13
Interruptible	\$1.28	\$1.27	\$1.25
Lighting	\$0.64	N/A	N/A

11

12 **Q. Does this conclude your direct testimony?**13 **A. Yes.**

1 CHAIRMAN JACOBS: Mr. Childs, did you want staff to
2 move --

3 MR. CHILDS: I understood that staff moved all of the
4 testimony and exhibits and that is sufficient.

5 CHAIRMAN JACOBS: Did you move them all? My
6 apologies. Maybe I wasn't listening correctly.

7 MS. STERN: That was my intention.

8 CHAIRMAN JACOBS: I'm sorry. Very well. If that is
9 in agreement with all the parties, show then that the prefiled
10 testimony of Mr. Reynolds, Mr. Green, Mr. Peacock, Mr.
11 McCarthy, Mr. Bryant, and Mr. Winner are entered into the
12 record as though read.

13 Let's go through the exhibits. We will show the
14 prefiled exhibits of Mr. Reynolds, DR-1, 2, and 3, show those
15 marked as Composite Exhibit 2, and without objection, show
16 those entered into the record. Show those admitted, rather.

17 We will mark as Composite Exhibit 3 the exhibits of
18 Mr. Green, LEG-1. And without objection show that marked as
19 Exhibit 3 and show that admitted.

20 Show the prefiled exhibits of Mr. Peacock MAP-1 and
21 MAP-2 marked as Composite Exhibit 4. And without objection,
22 show Exhibit 4 is admitted.

23 Show the prefiled exhibits of Mr. McCarthy, MJM-1 and
24 MJM-2 marked as Composite Exhibit 5, and without objection show
25 those are admitted.

1 Show the prefiled exhibits of Mr. Bryant, HTB-1 and 2
2 marked as Composite Exhibit 6. Without objection, show Exhibit
3 6 is admitted.

4 And show the prefiled exhibit of Mr. Winner marked as
5 Exhibit 7, MW-1, and without objection, show Exhibit 7 is
6 admitted.

7 (Exhibits 2 through Exhibit 7 marked for
8 identification and admitted into the record.)

9 CHAIRMAN JACOBS: I believe that takes care of all
10 the exhibits of the parties.

11 MS. STERN: Yes.

12

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

TESTIMONY OF DENNIS REYNOLDS

DOCKET NO. 010002-EG

May 15, 2001

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

2 A. My name is Dennis Reynolds, 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 a Budget and
7 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 a Budget and Regulatory
13 Supervisor?**

14 A. I am responsible for supervising and assisting in the development of the Business
15 Unit Budget for all functional areas under Customer Service and Marketing. I
16 supervise and assist systems support functions related to the department, DSM and
17 ECCR, including monthly accounting reviews. Also, I supervise and assist in the

1 preparation of regulatory filings and reports related to ECCR, prepare responses to
2 regulatory inquiries and ensure timely response. I am also responsible for the
3 ECCR Forecast and True-Up.

4

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

6 A. The purposes of my testimony are (1) to present the conservation related revenues
7 and costs associated with FPL's energy conservation programs for the period
8 January 2000 through December 2000, and (2) to present the net overrecovery for
9 the period January 2000 through December 2000 to be carried forward for
10 calculation of FPL's new ECCR factors.

11

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

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

22

23 **Q. What is the actual net true-up amount which FPL is requesting for the
24 January 2000 through December 2000 period?**

1 A. FPL has calculated and is requesting approval of an overrecovery of \$12,324,927
2 as the actual net true-up amount for that period.

3

4 **Q. What is the adjusted net true-up amount which FPL is requesting for the**
5 **January 2000 through December 2000 period which is to be carried over and**
6 **refunded in the January 2002 through December 2002 period?**

7 FPL has calculated and is requesting approval of an overrecovery of \$2,381,681
8 as the adjusted net true-up amount for that period. The adjusted net true-up of an
9 overrecovery of \$2,381,681 is the difference between the actual net true-up of
10 an overrecovery of \$12,324,927 and the estimated/actual net true-up of an
11 overrecovery of \$9,943,246 approved by the Commission at the November 2000
12 Hearing. This is shown on Exhibit____, (DR-1), Schedule CT-2, Page 1 of 5.

13

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

15 A. Yes, they are.

16

17 **Q. During the January 2000 through December 2000 period, is FPL seeking**
18 **recovery of any advertising which makes a specific claim of potential energy**
19 **savings or states appliance efficiency ratings or savings?**

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

1 **Q. How did your actual program expenditures for January 2000 through**
2 **December 2000 compare to the Estimated/Actual presented at the November**
3 **2000 Hearing?**

4 A. At the November 2000 Hearing, total expenditures for January 2000 through
5 December 2000 were estimated to be \$160,256,707. The actual expenditures for
6 the period were \$158,231,125. This represents a period variance of \$2,025,582
7 less than projected. This variance is shown on Schedule CT-2, Page 3 of 5, Line
8 27 and is explained in Schedule CT-6.

9

10 **Q. Was the calculation of the adjusted net true-up amount for the period**
11 **January 2000 through December 2000 period performed consistently with**
12 **the prior true-up calculations in this and the predecessor conservation cost**
13 **recovery dockets?**

14 A. Yes. FPL's adjusted net true-up was calculated consistent with the methodology
15 set forth in Schedule 1, page 2 of 2 attached to Order No. 10093, dated June 19,
16 1981. The schedules prepared by Ms. Dubin detail this calculation.

17

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

20 A. Unless otherwise indicated, the data used in calculating the adjusted net true-up
21 amount is taken from the books and records of FPL. The books and records are
22 kept in the regular course of our business in accordance with generally accepted
23 accounting principles and practices, and provisions of the Uniform System of
24 Accounts as prescribed by this Commission. As directed in Rule 25-17.015,

1 F.A.C., Schedules CT-2, Pages 4 and 5 of 5 provide a complete list of all account
2 numbers used for conservation cost recovery during the period January 2000
3 through December 2000.

4

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

6 **A. Yes, it does.**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

TESTIMONY OF DENNIS REYNOLDS

DOCKET NO. 010002-EG

September 20, 2001

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

2 A. My name is Dennis Reynolds, 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 a Budget and
7 Regulatory Supervisor.

8

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

10 Yes, I have.

11

12 **Q. What are your responsibilities and duties as a Regulatory and
13 Administrative Support Supervisor?**

14 A. I am responsible for supervising and assisting in the development of the Business
15 Unit Budget for all functional areas under Customer Service. I supervise and
16 assist systems support functions related to the department, Demand Side
17 Management (DSM), and Energy Conservation Cost Recovery (ECCR),
18 including monthly accounting reviews. Also, I supervise and assist in the

1 preparation of regulatory filings and reports related to ECCR, prepare responses
2 to regulatory inquiries and ensure timely response. I am also responsible for the
3 ECCR Forecast and True-Up.

4

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

6 A. The purpose is to submit for Commission review and approval the projected
7 ECCR costs to be incurred by FPL during the months of January 2002 through
8 December 2002, as well as the actual/estimated ECCR costs for January 2001
9 through December 2001, for our Demand Side Management programs. I also
10 present the total level of costs FPL seeks to recover through its Conservation
11 Factors during the period January 2002 through December 2002, as well as the
12 Conservation Factors which, when applied to our customers' bills during the
13 period January 2002 through December 2002, will permit the recovery of total
14 ECCR costs.

15

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

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

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

3 A. Yes they are.

4

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

7 A. The actual expenditures for the months January 2001 through July 2001 are taken
8 from the books and records of FPL. Expenditures for the months of August 2001
9 through December 2001, and January 2002 through December 2002 are
10 projections based upon a detailed month-by-month analysis of the expenditures
11 expected for each program at each location within FPL. These projections are
12 developed by each FPL location where costs are incurred and take into
13 consideration not only cost levels but also market penetrations. They have been
14 subjected to FPL's budgeting process and an on-going cost-justification process.

15

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

17 A. Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

SUPPLEMENTAL TESTIMONY OF DENNIS REYNOLDS

DOCKET NO. 010002-EG

November 5, 2001

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

2 A. My name is Dennis Reynolds 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 Supervisor of
7 Budget and Regulatory Support.

8

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

10 Yes, I have.

11

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

13 A. The purpose of my supplemental testimony is to provide revised Energy
14 Conservation Cost Recovery (ECCR) factors reflecting the revised sales forecast
15 filed in the testimony of FPL Witness Dr. Leo Green.

16

17

1 **Q. Have you prepared, or had prepared under your supervision and control, an**
2 **exhibit in this proceeding?**

3 A. Yes, I am sponsoring Exhibit DR-3, which is attached to my supplemental
4 testimony. It consists of revised pages 2 and 3 for Schedule C-1, which was
5 previously filed as part of Exhibit DR-2.

6

7 Exhibit DR-3 reflects the recalculated ECCR factors resulting from FPL's revised
8 sales forecast for 2002. FPL's projected conservation costs remain the same, but
9 with reduced projected sales, the ECCR factors are revised to recover the
10 necessary conservation costs

11

12

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

14 A. Yes, it does.

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **FLORIDA POWER & LIGHT COMPANY**

3 **TESTIMONY OF L. E. GREEN**

4 **DOCKET NOS. 010001-EI, 010002-EI**

5 **NOVEMBER 5, 2001**

6

7

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

9 A. My name is Leonardo E. Green. My business address is 9250 West Flagler
10 Street, Miami, Florida 33174.

11

12 **Q. By whom are you employed and what is your position?**

13 A. I am employed by Florida Power & Light Company (FPL) as a Load Forecast
14 Manager, in the Resource Assessment and Planning Business Unit.

15

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

17 A. No, I have not.

18

19 **Q. Please state your education and business experience.**

20 A. I received a Doctor of Philosophy Degree in Economics from the University of
21 Missouri-Columbia, Missouri, in 1983. I joined FPL in April of 1986 and in July
22 of 1991, I became Manager of Load Forecasting within the Resource Assessment
23 and Planning Business Unit. I am responsible for coordinating the entire

1 economics and load forecasting effort for FPL. Prior to joining FPL, I worked
2 for Seminole Electric Cooperative as the Load Forecasting Supervisor in the
3 Rates and Corporate Planning Department. I have held several Assistant
4 Professorships of Economics and Statistics research and teaching positions with
5 the University of Missouri, Florida International University, NOVA University,
6 and the University of South Florida.

7
8 **Q. What is the purpose of your testimony?**

9 **A.** The purpose of my testimony is to present and explain revisions to FPL's load
10 forecasts due to the events of September 11, 2001. The revised load forecast was
11 an input to POWERSYM, a model used to calculate the fuel budget for the period
12 January 2002 through December 2002.

13
14 **Q. Have you prepared an exhibit in this proceeding?**

15 **A.** Yes. I am sponsoring Exhibit ____ (LEG-1) which consists of four documents
16 included in Appendix I.

17
18 **Q. What is the outlook for the national economy for the rest of 2001 and for
19 2002?**

20 **A.** At the beginning of October, Data Resources Inc. of Standard and Poors (DRI-
21 WEFA) stated that prior to September 11, 2001 the national economy was already
22 in a downward slide, but the terrorist attack will probably cause the tumble to
23 accelerate, likely pushing the U.S. economy into a recession. In its most recent

1 U.S. Economic Review of October 2001, DRI-WEFA pronounced, "It no longer
2 seems possible for the U.S. economy to escape a recession...the question of
3 whether the U.S. economy escapes a recession appears to have been settled by the
4 September 11 terrorist attacks." DRI-WEFA now expects both the third and
5 fourth quarters of 2001 to register declines in Gross Domestic Product (GDP), a
6 measure of total domestic output, and they project only a 1% real overall growth
7 for the entire year. Their forecast of a decline in third quarter GDP has recently
8 been proved correct with the announcement of a 0.4% decline for the quarter.
9 Their outlook for year 2002 has the economy growing at a real rate of 1.3 %,
10 starting out weak and then picking up strength in the latter part of the year in
11 response primarily to federal programs stimulus. Prior to September 11, 2001 the
12 forecasted real growth in GDP for 2001 was 1.6 % and 2.6 % for 2002.

13
14 **Q. Will Florida's economy be impacted by the national economy?**

15 A. Yes. The terrorist attacks of September 11, 2001 strike at the heart of the state's
16 economy. The combined effects of the slowing US economy and the perceived
17 risks of air travel will adversely affect Florida's economy. DRI-WEFA expects
18 international visitation to Florida from September to December of this year to be
19 50% lower than the same period last year, a result of the weakening global
20 economy and security fears. Domestic travel is also forecasted to be 30% less
21 than the same period last year, as fewer Americans will be willing to travel in the
22 coming months, both because of anxiety about flying and because of concern
23 about employment security and declining income.

1 The revision to the forecast for Florida made by DRI-WEFA shows that the
2 annual nominal growth rate in gross state product (GSP), the total output of the
3 state, will be lower in 2002 by approximately \$3.8 billion, or a loss of about 0.5%
4 of the total GSP.

5
6 Florida state revenue forecasters apparently share this view of Florida's economy
7 in 2002. They have estimated that the state's tax revenue will be \$1.3 billion less
8 than the originally estimated \$50 billion. Announced job cuts, the number of lay-
9 offs, the rise in the number of unemployment claims, low hotel occupancy rates,
10 and the reduced number of flights and tourist visitors are further evidence of the
11 contraction in the Florida's economy.

12
13 **Q. Will FPL's service territory experience a similar downturn in economy as the**
14 **rest of the state?**

15 A. In all probability, it will be more severe than the state's downturn. It has been
16 observed historically that the three largest counties in FPL service territory have
17 experienced a larger impact of economic slowdowns relative to other major
18 counties in the state. For example, in past recessions unemployment rates have
19 been higher in Miami-Dade, Broward and Palm Beach Counties compared to
20 Duval, Hillsborough and Pinellas Counties, as shown in Appendix I, Page 1 of 4.
21 In addition, per capita income, another key economic indicator, has also declined
22 significantly during recessions in the counties served by FPL relative to other
23 Florida counties as shown in Appendix I, Page 2 of 4. Therefore, I believe that

1 this recent slowdown will have a greater impact on FPL's service territory relative
2 to non- FPL service areas.

3
4 **Q. Is the projected economic slowdown the basis for the revision to the FPL**
5 **sales forecast?**

6 A. Yes. The expected and actual effects of the attacks of September 11, 2001 are
7 compelling enough to warrant a revision to the near term outlook of the state's
8 economy and the corresponding impact on the demand for electricity. The
9 original sales forecast used for the fuel, capacity and conservation clause filings in
10 August and September of 2001 was produced under the assumption that Florida's
11 economy was experiencing a mild slowdown in the year 2001, but then it would
12 rebound with good economic growth in the year 2002. Prior to September 11,
13 Florida had been spared the worst of the national economic slowdown. Its lesser
14 reliance on manufacturing, higher reliance on tourism and a somewhat greater
15 reliance on international markets cushioned the effects of a weakening U.S.
16 economy. Even though Florida's employment growth had slowed, it was still
17 fairly strong compared to the rest of the nation, and Florida boasted of a low
18 unemployment rate of 4.2%.

19
20 The economic outlook has changed significantly since September 11, 2001. From
21 an auspicious position, Florida's economy has become more vulnerable because
22 the most impacted industries are relatively more vital to the Florida economy than
23 most other states. These heavily impacted industries are tourism, air travel,

1 merchandise trade, airline services, and the cruise industry. Of course, the
2 downturn in these industries will have spillover employment and income effects
3 on the rest of sectors that encompass the Florida economy.

4
5 **Q. How does an economic recession affect the usage of electricity?**

6 **A.** The growth in usage of electricity comes from the overall growth in per capita use
7 of electricity by all customers and the growth in the number of new customers.
8 Both per capita usage of electricity and growth of new customers are linked
9 directly to the performance of the local and national economy. When the
10 economy is booming, usage of electricity is up in all sectors: residential,
11 commercial, industrial and others. Furthermore, if the economy is strong there
12 will be new jobs that attract new customers, new households develop, and retirees
13 coming from other states increase in numbers. The reverse also holds, if the
14 economy is performing poorly, customers are more apprehensive as to how their
15 reduced income is spent, restricting their level of consumption of goods and
16 services. Electricity demand and sales begin to slacken when income falls. Job
17 contractions reduce the number of new customers coming to the state seeking
18 employment opportunities. New household formations are postponed.

19
20 Appendix I, Page 3 of 4 shows the effect of the last three national recessions on
21 Florida's Per Capita Income, the customer growth in FPL's service territory, and
22 the changes in electricity use per customer. The recession years are highlighted
23 and they correspond to the years of 1974-1975, 1982, and 1990-1992. In all three

1 recessions, Florida's Real Per Capita Income growth and growth in electricity use
2 per customer in FPL's service area are negative. This data supports my earlier
3 observation that as customers' personal incomes decline, the use of electricity per
4 customer also declines. This does not imply that growth in total use of electricity
5 will decline, since there is still growth in customers, even in recession years. In
6 Appendix I, Page 3 of 4, it can also be seen that with each recession year, the
7 absolute growth in the number of customers drops significantly from the year
8 prior to the recession to the year following the recession. The smaller growth in
9 the number of customers results in a lower growth in sales of electricity than
10 would be expected if there was no contraction in the economy.

11
12 **Q. What is the impact of a recession on FPL's outlook on electricity sales?**

13 A. Appendix I, Page 4 of 4 shows FPL's revisions in the level of projected sales and
14 customers for 2001 and 2002. FPL produced a new outlook for energy sales by
15 changing the economic assumptions utilized in its forecasting models. FPL made
16 use of the more recent economic outlook for the State of Florida produced by
17 DRI-WEFA that incorporated the revision resulting from the events of September
18 11. The new projected use of electricity per customer was slightly higher than the
19 2001 estimated value, but it was 2.5 % lower than the forecast produced with
20 economic assumptions prior to September 11. So even DRI-WEFA's economic
21 forecast resulting in slightly higher per customer usage appears conservative
22 given the actual declines in usage experienced in prior recessions.

23

1 Customer growth outlook has changed from 85,643 to 65,000 new customers in
2 2002. The recession outlook has resulted in a reduction in forecasted growth of
3 approximately 20,000 less new customers in 2002. In order to forecast customer
4 growth, FPL models depend on population projections obtained from the Bureau
5 of Economic and Business Research of the University of Florida (BEBR).
6 However, BEBR has not updated the population projections as a result of the
7 terrorist attacks of September 11. Therefore, FPL's projection of customer
8 growth is based upon growth in customers during prior recessions.

9
10 The decline in the growth of the number of customers from the year prior to a
11 recession to the year following a recession can be seen on Appendix I, Page 3 of
12 4. In the three recessions since 1972, FPL has seen a significant decline in the
13 growth of customers from the year prior to the recession to the year following the
14 recession. In the 1974/75 recession, FPL experienced a decline in the growth of
15 customers of almost 64 thousand (1973 versus 1976). In the 1982 recession, FPL
16 experienced a decline in the growth of customers of roughly 29 thousand (1981
17 versus 1983). In the 1990/91/92 recession, FPL experienced a decline in the
18 growth of customers of approximately 36 thousand (1989 versus 1993). A simple
19 average of the decline in growth from those three prior recessions would suggests
20 that FPL might anticipate a reduction in the growth of customers due to recession
21 of 43 thousand. However, two of those three recessions were longer term, and
22 this recession is forecast to be relatively shorter. In addition, assuming a
23 customer growth reduction of 43,000 would have reduced FPL's customer growth

1 to 49,000, a lower level than FPL has experienced in any year since 1972,
2 including the low year of growth in 1992 following Hurricane Andrew. So, it was
3 considered prudent to take a more conservative approach. FPL projected that it
4 would lose approximately 27,000 customers from the year prior to the recession
5 (2000) to the year following the recession (2002). This is close to but lower than
6 the decline in customer growth experienced during the 1982 recession, and it
7 leaves 2002 customer growth at 65,000 customers, which is about the average
8 new customer growth seen for most of the decade of the 1990s.

9
10 The combination of the revised use per customer multiplied by the new projection
11 of customers results in a projected level of sales of 100,158 gWh in 2002, a 1.7 %
12 growth over 2001 as shown on Page 4 of Appendix I. This level of sales is 2.9%
13 lower than the forecast used in the fuel, capacity, and conservation clause filings
14 in August and September of 2001.

15
16 **Q. Please summarize your testimony.**

17 A. The change in Florida's economic look for 2002, brought on by the events of
18 September 11, 2001, warrants a revision to FPL's sales forecast. The
19 performance of Florida's economy determines electricity usage per customer and
20 the level of customer growth. The growth of both of these factors is forecast to
21 decline from the levels forecast prior to September 11, 2001, resulting in lower
22 forecast electricity sales in FPL's service territory. The revision in the sales and
23 customer forecast is in line with but more conservative than the observed

1 outcomes from previous recessions. FPL's revised sales forecast is well founded
2 and reasonable. Furthermore, it is consistent with the most recent projections by
3 the State of Florida legislative revenue estimating conference.

4

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

6 **A.** Yes, it does.

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 010002-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 January 1, 2000 through December 31, 2000 as compared to
11 the true-up amounts previously reported for that period
12 which were based on eight months actual and four 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 January 1, 2000 through December
17 31, 2000.

18 A. The Company under-recovered \$8,085.00 in the Marianna

1 Division during that period. In the Fernandina Beach
2 Division we under-recovered \$266.00. 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 November 2000 hearing?

8 A. We had estimated that we would over-recover \$8,378.00 in
9 Marianna. In Fernandina Beach we had estimated an over-
10 recovery of \$21,918.00 as of December 31,2000.

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

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

14 Q. Does this conclude your testimony?

15 A. Yes.

16

17 Conservation.doc

18 Peacocktest.400

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 010002-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 January, 2002 through December, 2002.
- 12 Q. What respectively are the total projected costs
13 for the period January 2002 through December,
14 2002 in the Marianna Division and the Fernandina
15 Beach Division?
- 16 A. For the Marianna Division, the total projected
17 Conservation Program Costs are \$231,150. For
18 the Fernandina Beach Division, the total
19 projected Conservation Program Costs are

1 \$258,417. For each Division, please see its
2 respective Schedule C-2, page 2, for the
3 programmatic and functional breakdown of these
4 total costs.

5 Q. For each division, what is the true-up amount to
6 be applied to determine the projected net total
7 costs for the period January, 2001 through
8 December, 2001.

9 A. As reflected in the respective "C" Schedules,
10 the true-up amount for the Marianna Division is
11 \$21,748. In the Fernandina Beach Division the
12 true-up is \$6,358. These amounts are based upon
13 eight months actual and four months estimated
14 data.

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

18 A. For the Marianna Division the net total costs
19 to be recovered are \$252,898. For the
20 Fernandina Beach Division the net total costs
21 to be recovered are \$264,775.

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

25 A. For the Marianna Division, the Conservation
26 Adjustment Factor is \$.00084 per KWH. For the

1 Fernandina Beach Division, the factor is
2 \$.00058 per KWH.

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

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

10 Q. Does this conclude your testimony?

11 A. Yes.

12

13 conservation disk/peactest.00)

1 Gulf Power Company

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony of
4 Michael J. McCarthy
5 Docket No. 010002-EG
6 May 15, 2001

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

9 A. My name is Michael J. McCarthy and my business address
10 is One Energy Place, Pensacola, Florida 32520. I am
11 employed by Gulf Power Company as the Economic
12 Evaluation and Market Reporting Team Leader.

13 Q. Mr. McCarthy, 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 and related expenses for
19 January, 2000, through December, 2000.

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 Mr. McCarthy's exhibit consisting
5 of 6 Schedules, CT-1 through CT-6, be marked
6 for identification as:

7 Exhibit No. ____ (MJM-1)
8

9 Q. Would you summarize for this Commission the deviations
10 resulting from the actual expenditures for this recovery
11 period and the original estimates of expenses?

12 A. The estimated true-up net expenses for the entire
13 recovery period January, 2000, through December, 2000,
14 were \$3,765,949, while the actual costs were \$3,839,133
15 resulting in a variance of \$73,184 or 1.9% over the
16 estimated true-up.

17

18 Q. Mr. McCarthy, would you explain the January, 2000,
19 through December, 2000, variance?

20 A. Yes, the reasons for this variance are an increase in
21 expenses in GoodCents Select, over \$559,448; GoodCents
22 Buildings, over \$23,005; and Duct Leakage, over \$271.
23 These program expenses are off-set by Residential Energy
24 Audits, under \$38,920; Gulf Express Loan Program, under
25 \$3,592; Geothermal Heat Pump program, under \$212,946;

1 Commercial/Industrial Energy Audits, under \$82,066;
2 Commercial Mail-in Audits, under \$39,151; Solar for
3 Schools, under \$1,855; Conservation Demonstration and
4 Development research, under \$56,353; Residential Mail-
5 in Audit, under \$59,534; EarthCents Solar, under
6 \$5,053; and Green Pricing, under \$10,072; resulting in
7 a net variance of \$34,648 over the estimated/actual
8 program expenses reported in September, 2000. A more
9 detailed description of the deviations is contained in
10 Schedule CT-6.

11

12 Q. Mr. McCarthy, what was Gulf's adjusted net true-up for
13 the period January, 2000 through December, 2000?

14 A. There was an under-recovery of \$867,223 as shown on
15 Schedule CT-1, page 1.

16

17 Q. Would you describe the results of your programs during
18 the January, 2000 through December, 2000, recovery
19 period?

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

24

25

- 1 (A) Residential Energy Audits - During this period, we
2 projected to audit 1,500 structures. We actually
3 completed 1,606.
- 4 (B) Residential Mail-In Audits - During this period,
5 1,500 audits were projected and 137 audits were
6 completed.
- 7 (C) Gulf Express Loan Program - No loans were completed
8 during this period. The program stopped accepting
9 new loans in June, 1997.
- 10 (D) In Concert With The Environment - Beginning in 2000,
11 this program was no longer promoted as a stand alone
12 program. It remained available to students upon
13 request for the period, however, no students attended
14 the program.
- 15 (E) Duct Leakage Program - This program was available to
16 any customer desiring it, but the company no longer
17 promotes it as a stand alone program. No units were
18 projected nor completed during the recovery period.
- 19 (F) Geothermal Heat Pump - During this recovery period, a
20 total of 293 geothermal heat pumps were installed
21 compared to a projection of 500.
- 22 (G) GoodCents Select (Advanced Energy Management) - During
23 this recovery period, 946 units were installed.
24
- 25 When the original projection was submitted for this

1 period, Gulf expected 6,000 customers to participate
2 in this program by the end of the projection period.
3 However, the program has been delayed due to several
4 factors and the anticipated participation rates were
5 revised. The projection for the year 2000 was revised
6 in September, 2000, to be 2,000 units. The details of
7 this revision were submitted in Michael J. McCarthy's
8 testimony, Docket No. 000002-EG, September 27, 2000.

9

10 Details of the issues related to the delay of the
11 program are found in M. D. Neyman testimony, Docket
12 No. 980002-EG, January 13, 1998.

13 (H) Commercial/Industrial GoodCents Buildings - During
14 this recovery period a total of 181 buildings were
15 built or improved to Good Cents standards, compared to
16 a projection of 215.

17 (I) Commercial/Industrial Energy Audits and Technical
18 Assistance Audits - During this recovery period, a
19 total of 141 EA/TAA were completed compared to a
20 projection of 125.

21 (J) Commercial/Industrial Mail-in Audit - 950 mail-in
22 audits were projected compared to 1,018 mail-in audits
23 being completed.

24 (K) Solar for Schools - This program uses "green
25 pricing" to fund solar technologies in public

1 schools. It also incorporates a school-based
2 energy education component as well as enhanced
3 outdoor lighting for schools. The projects
4 relating to this program are detailed in Schedule
5 CT-6.

6 (L) Conservation Demonstration and Development - Sixteen
7 research or demonstration projects have been
8 identified and are detailed in Schedule CT-6.

9

10

11 Q. Mr. McCarthy, does this conclude your testimony?

12 A. Yes, it does.

13

14

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1 Gulf Power Company

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony and Exhibits of

4 Michael J. McCarthy
5 Docket No. 010002-EG

6 October 5, 2001

7

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

10 A. My name is Michael J. McCarthy and my business address
11 is One Energy Place, Pensacola, Florida 32520. I am
12 employed by Gulf Power Company as the Economic
13 Evaluation and Market Reporting Team Leader.

14

15 Q. Have you testified before this Commission previous to
16 this filing?

17 A. Yes, I have. I have testified in Docket No. 971006-EG
18 pertaining to Gulf Power Company's Demand-Side
19 Management Plan and previously in the Energy
20 Conservation Cost Recovery Docket.

21

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

24 A. Yes, I am.

25

26

27

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

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

8

9 Q. Mr. McCarthy, for what purpose are you appearing before
10 this Commission today?

11 A. I am testifying before this Commission on behalf of
12 Gulf Power Company regarding matters related to the
13 Energy Conservation Cost Recovery Clause and to answer
14 any questions concerning the accounting treatment of
15 conservation costs in this filing. Specifically, I
16 will address projections for approved programs during
17 the January, 2002, through December, 2002, recovery
18 period and the anticipated results of those programs
19 during the current recovery period, January, 2001,
20 through December, 2001, (8 months actual, 4 months
21 estimated).

22

23

24

25

1 Q. Would you summarize for this Commission the deviations
2 resulting from the actual expenditures for January
3 through August of the current recovery period?

4 A. Projected expenses for the first eight months of the
5 period were \$2,736,352 compared to actual expenses of
6 \$3,211,266 for a difference of \$474,914 or 17.4% over
7 budget. A detailed summary of all program expenses is
8 contained in my Schedule C-3, pages 1 and 3 and my
9 Schedule C-5, pages 1 through 15.

10

11 Q. Have you provided a description of the results achieved
12 so far this year by the programs during the period,
13 January, 2001, through August, 2001?

14 A. Yes. A detailed summary of year-to-date results for
15 each program is contained in my Schedule C-5, pages 1
16 through 15.

17

18 Q. Would you summarize the conservation program cost
19 projections for the January, 2002 through December,
20 2002 recovery period?

21 A. Program costs for the recovery period are projected to
22 be \$5,022,328. These costs are broken down as follows:
23 depreciation/amortization and return on investment,
24 \$1,040,240; payroll/benefits, \$1,896,140;
25 materials/expenses, \$1,845,450; and advertising,

1 \$588,325; all of which are partially offset by program
2 revenues of \$347,827. More detail is contained in my
3 Schedule C-2.

4

5 Q. Would you review the expected results for your on-going
6 programs during the January, 2002, through December,
7 2002, recovery period?

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

9 (1) Residential Energy Audits - During the period,
10 1,350 audits are projected to be completed. These
11 audits encourage customers to make conservation
12 improvements. Two hundred of these audits will be
13 targeted toward the low-income customers and will
14 be conducted through contract arrangements with
15 Weatherization Assistance Providers (WAPs).

16 (2) Gulf Express Loan Program - No new loans have been
17 accepted in this program since 1997. No units are
18 projected during this period. The projected costs
19 are for the administration of existing loans.

20 (3) Duct Leakage Repair - The object of the program is
21 to provide the customer with a means to identify
22 house air duct leakage and to recommend repairs
23 that can reduce customer kWh energy usage and kW
24 demand. Gulf Power projects that 40 customers will
25 receive the duct leakage repair evaluation during

1 the projection period.

2 (4) Geothermal Heat Pump - The object of this program
3 is to reduce the demand and energy requirements of
4 new and existing residential customers through the
5 promotion and installation of geothermal systems.
6 During the projection period, 50 customers are
7 expected to participate in the program.

8 (5) GoodCents Select - This program is designed to
9 provide the customer with a means of conveniently and
10 automatically controlling and monitoring energy
11 purchases in response to prices that vary during the
12 day and by season in relation to Gulf Power Company's
13 cost of producing or purchasing energy. The **GoodCents**
14 *Select* system includes field units utilizing a
15 communication gateway, a radio frequency based Local
16 Area Network, major appliance load control relays,
17 and a programmable thermostat (Superstat), all
18 operating at the customer's home.

19 The startup of the program was delayed
20 because of several issues outlined in Ms. Neyman's
21 testimony in Docket No. 980002-EG dated January
22 13, 1998. As a result of the delays and current
23 participation levels, the schedule for market
24 implementation has been modified from the original
25 projection in the Demand-side Management Plan.

1 Gulf Power now projects 3,000 installations
2 annually for 2002 and the remainder of the plan.
3 Gulf Power reviewed and revised its projection for
4 program participation in 2000. A more detailed
5 summary of the revised participation rates is
6 given in M. J. McCarthy's testimony in Docket No.
7 000002-EG dated September 27, 2000.

8 (6) GoodCents Building - This program includes both
9 new and existing commercial customers. For the
10 projection period, 174 installations are expected.
11 Implementation strategies will concentrate on
12 architects, engineers, developers and other
13 decision makers in the construction process.

14 (7) Energy Audits and Technical Assistance Audits -
15 Gulf Power projects 137 audits for 2002. Emphasis
16 will be placed on audits for large, complex
17 commercial customers such as hospitals, hotels and
18 office buildings. These audits will focus on the
19 benefits of alternative technologies such as heat
20 pump water heaters and geothermal technologies.

21 (8) Commercial/Industrial Mail-In Audit - This is a
22 direct mail energy auditing program. This program
23 builds on the success of Gulf Power's existing
24 Commercial/Industrial Energy Audit program and
25 will assist in the evaluation of the specific

1 energy requirements of a given business type.
2 Gulf Power expects 621 participants during the
3 projection period.

4 (9) Conservation Demonstration and Development -

5 For this period, 21 research projects have been
6 identified. A detailed description of each
7 project is in Schedule C-2.

8 (10) Residential Mail-In Audit - This is a direct mail

9 energy auditing program. This program builds on
10 the success of Gulf Power's existing Residential
11 Energy Audit program and will assist in the
12 evaluation of the specific energy requirements of
13 a residential dwelling. Gulf Power expects 200
14 participants during the projection period.

15

16 Q. Mr. McCarthy, have there been any significant deviations
17 in any existing program that will have a significant
18 affect on the amount being requested for recovery?

19 A. Yes. In the **GoodCents** Select program, Gulf Power has
20 incurred more expenses for materials and advertising in
21 the initial roll-out phase of the program than
22 originally anticipated. The additional materials
23 expenses relate to the current contract with the
24 installation vendor. Gulf Power is examining the
25 current terms of the installation contract to realign

1 it with the current estimate of participation levels.
2 The advertising expenses have been adjusted to increase
3 customer awareness, more precisely define the market,
4 and therefore increase customer participation.

5

6 Q. How does the proposed Energy Conservation Cost Recovery
7 factor for Rate Schedule RS compare with the factor
8 applicable to December, 2000, and how would the change
9 affect the cost of 1,000 kwh on Gulf Power's
10 residential rate RS?

11 A. The current Energy Conservation Cost Recovery factor
12 for Rate Schedule RS applicable through December, 2001,
13 is 0.053¢/kwh compared with the proposed factor of
14 0.064¢/kwh. For a residential customer who uses 1,000
15 kwh in January, 2000, the conservation portion of the
16 bill would increase from \$0.53 to \$0.64.

17

18 Q. When does Gulf Power propose to collect these Energy
19 Conservation Cost Recovery charges?

20 A. The factors will be effective beginning with the first
21 Bill Group for January, 2002, and continuing through
22 the last Bill Group for December, 2002.

23

24

25

1 Q. Mr. McCarthy, does this conclude your testimony?

2 A. Yes, it does.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
PREPARED DIRECT TESTIMONY
OF
HOWARD T. BRYANT

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

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

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

A. The purpose of my testimony is to support the company's actual conservation costs incurred during the period January 1, 2000 through December 31, 2000, the actual and projected period of January 1, 2001 to December 31, 2001, and the twelve-month projected period of January 1, 2002 through December 31, 2002. Also, I will support the level of charges (benefits) for interruptible customers allocated to the period January 1, 2002 through December 31, 2002. The balance of costs will be charged to firm customers on a per kilowatt-hour basis in accordance with

1 Docket No. 930759-EG, Order No. PSC-93-1845-FOF-EG, dated
2 December 29, 1993. I will support the appropriate
3 Contracted Credit Value ("CCV") for potential
4 participants in the General Service Industrial Load
5 Management Riders ("GSLM-2" and "GSLM-3") for the period
6 January 1, 2002 through December 31, 2002. Finally, I
7 will address Disclosure No. 1 of the Tampa Electric
8 Company Energy Conservation Cost Recovery Audit for the
9 Twelve Months Ended December 31, 2000 which identifies
10 certain advertising expenses alleged to be associated
11 with substantial image enhancing advertising for the
12 company.

13
14 **Q.** What is the basis of this request for expenses to be
15 based on different charges for interruptible and firm
16 customers?

17
18 **A.** Tampa Electric believes that its conservation and load
19 management programs do not accrue capacity benefits to
20 interruptible customers. This position has been
21 supported by the Florida Public Service Commission
22 ("Commission") in Docket Nos. 900002-EG through 000002-
23 EG. The company estimates the cumulative effects of its
24 conservation and load management programs will allow
25 interruptible customers to have lower fuel costs

1 (\$0.41/MWH) due to the reductions in marginal fuel costs.

2

3 Q. How were those benefits calculated?

4

5 A. To determine fuel savings effects, the company has
6 calculated a "what if there had been no conservation
7 programs" scenario. The results indicate that the
8 avoided gigawatt-hours have actually reduced average fuel
9 costs since higher priced marginal fuels would have been
10 burned if the gigawatt-hours had not been saved.

11 The attached analysis, Exhibit No. ____ (HTB-2),
12 Conservation Costs Projected, portrays costs and
13 benefits.

14

15 Q. Will charging different amounts for firm and
16 interruptible customers conflict with the Florida Energy
17 Efficiency and Conservation ("Act")?

18

19 A. No. The Act requires utilities, through the guidance of
20 the Commission, to cost effectively reduce peak demand,
21 energy consumption and the use of scarce resources,
22 particularly petroleum fuels. It does not require all
23 customers to pay the utilities' conservation costs no
24 matter if they receive the same level of benefits or not.
25 The relationships between costs and benefits received are

1 specifically the determination of the Commission.

2

3 Q. Please describe the conservation program costs projected
4 by Tampa Electric during the period January 1, 2000
5 through December 31, 2000.

6

7 A. For the period January 1, 2000 through December 31, 2000,
8 Tampa Electric projected conservation program costs to be
9 \$18,612,677. The Commission authorized collections to
10 recover these expenses in Docket No. 990002-EG, Order No.
11 PSC-99-2267-PHO-EG, issued November 18, 1999.

12

13 Q. For the period January 1, 2000 through December 31, 2000,
14 what were Tampa Electric's conservation costs and what
15 was recovered through the Energy Conservation Cost
16 Recovery ("ECCR") Clause?

17

18 A. For the period January 1, 2000 through December 31, 2000
19 Tampa Electric incurred actual net conservation costs of
20 \$16,656,250, plus a beginning true-up over recovery of
21 \$2,306,169 for a total of \$14,350,081. The amount
22 collected in the ECCR Clause was \$16,611,464.

23

24 Q. What was the true-up amount?

25

- 1 **A.** The true-up amount for the period January 1, 2000 through
2 December 31, 2000 was an over-recovery of \$2,390,385.
3 These calculations are detailed in Exhibit No. ____ (HTB-
4 1), Conservation Cost Recovery True Up, Pages 1 through
5 11.
6
- 7 **Q.** Please describe the conservation program costs incurred
8 and projected to be incurred by Tampa Electric during the
9 period January 1, 2001 through December 31, 2001.
10
- 11 **A.** The actual costs incurred by Tampa Electric Company
12 through August 31, 2001 and estimated for September 1,
13 2001 through December 31, 2001 are \$17,604,229. For the
14 period, Tampa Electric anticipates an over-recovery in
15 the ECCR Clause of \$1,069,372 which includes the previous
16 period true-up and interest. A summary of these costs
17 and estimates are fully detailed in Exhibit No. ____ (HTB-
18 2), Conservation Costs Projected, Pages 1 through 15.
19
- 20 **Q.** For the period January 1, 2002 through December 31, 2002,
21 what are Tampa Electric's estimates of its conservation
22 costs and cost recovery factors?
23
- 24 **A.** The company has estimated that the total conservation
25 costs (less program revenues) during the period will be

1 \$18,379,940 plus true-up. Including true-up estimates
2 and interruptible sales contribution at 0.041 cents/kWh,
3 the cost recovery factors for firm retail rate classes
4 will be 0.116 cents/kWh for Residential (RS), 0.110
5 cents/kWh for General Service Non-Demand and Temporary
6 Service (GS, TS), 0.090 cents/kWh General Service Demand
7 (GSD) - Secondary, 0.090 cents/kWh for General Service
8 Demand (GSD) - Primary, 0.085 cents/kWh for General
9 Service Large Demand and Standby Firm (GSLD, SBF) -
10 Secondary, 0.084 cents/kWh for General Service Large
11 Demand and Standby Firm (GSLD, SBF) - Primary, 0.083
12 cents/kWh for General Service Large Demand and Standby
13 Firm (GSLD, SBF) - Subtransmission and 0.036 cents/kWh
14 for Lighting (SL, OL). Exhibit No. ____ (HTB-2),
15 Conservation Costs Projected, pages 3 through 8 contain
16 the Commission prescribed forms which detail these
17 estimates.

18
19 **Q.** Has Tampa Electric complied with the ECCR cost allocation
20 methodology stated in Docket No. 930759-EG, Order No.
21 PSC-93-1845-EG?

22
23 **A.** Yes, it has.

24
25 **Q.** Please explain why the incentive for GSLM-2 and GSLM-3

1 rate riders is included in your testimony.

2

3 A. In Docket No. 990037-EI, Tampa Electric petitioned the
4 Commission to close its non-cost-effective interruptible
5 service rate schedules while initiating the provision of
6 a cost-effective non-firm service through a new load
7 management program. This new program would be funded
8 through the ECCR Clause and the appropriate annual
9 Contracted Credit Value ("CCV") for customers would be
10 submitted for Commission approval as part of the
11 company's annual ECCR Projection Filing. Specifically,
12 the level of the CCV would be determined by using the
13 Rate Impact Measure ("RIM") Test contained in the
14 Commission's cost-effectiveness methodology found in Rule
15 25-17.008, F.A.C. By using a Rim Test benefit-to-cost
16 ratio of 1.2, the level of the CCV would be established
17 on a per kW basis. This program and methodology for CCV
18 determination was approved by the Commission in Docket
19 No. 990037-EI, Order No. PSC-99-1778-FOF-EI, issued
20 September 10, 1999.

21

22 Q. What is the appropriate CCV for customers who elect to
23 take service under the GSLM-2 and GSLM-3 rate riders
24 during the January 1, 2002 through December 31, 2002
25 period?

1 **A.** For the January 1, 2002 through December 31, 2002 period,
2 the CCV will be \$4.37 per kW. Should the assessment for
3 need determination that will be conducted for 2002
4 indicate the availability of new non-firm load, this CCV
5 will be applied to new subscriptions for service under
6 those rate riders. The application of the cost-
7 effectiveness methodology to establish the CCV is found
8 in the attached analysis, Exhibit No. ____ (HTB-2),
9 Conservation Costs Projected, beginning on page 32.

10

11 **Q.** Please address Disclosure No. 1 of the Tampa Electric
12 Company Energy Conservation Cost Recovery Audit for the
13 Twelve Months Ended December 31, 2000.

14

15 **A.** Disclosure No. 1 identifies \$147,480 of conservation
16 advertising expenses that are recommended for removal
17 from the ECCR Clause. These expenses represent
18 conservation billboard advertising for 2000 and are
19 alleged to be substantially image enhancing for the
20 company. Tampa Electric strongly disagrees with this
21 allegation.

22

23 Tampa Electric has used billboard advertising for the
24 last three decades as an effective component of the
25 company's conservation advertising campaigns. The

1 company is convinced that the use of billboards as an
2 integral part of its past and present advertising
3 campaigns have proven to deliver a specific, connected
4 message on conservation programs to the most people for
5 the least cost.

6
7 Over the years, program specific media such as radio,
8 television and print have been used to stress the
9 benefits and specifics of the company's approved
10 conservation programs. In addition, billboards have been
11 used to create a "connected reminder" of a total message
12 by stating a repeatable central theme. This repeatable,
13 identifiable theme is used to reinforce the customer's
14 memory of specific messages that have been presented by
15 other types of specific program media mentioned above.

16
17 Tampa Electric first used billboard advertising as part
18 of a specific advertising campaign in 1987 with its
19 "Hugga Heat Pump" theme. At that time, the Commission
20 evaluated the company's use of billboards as an
21 appropriate stand-alone means of conservation advertising
22 during a hearing in Docket No. 870002-EG. Through an
23 expert witness in the advertising field and the testimony
24 of others, the Commission ruled that Tampa Electric was
25 able to derive specific benefits from a campaign strategy

1 inclusive of billboard advertising that was reinforced by
2 supporting media specific to the company's conservation
3 programs. The Commission found that the use of a limited
4 number of words, due to the brief time of exposure to the
5 billboard's message and imaging, could be effectively
6 utilized in a comprehensive campaign as long as
7 supporting media (television, radio, newspaper and other
8 material) targeted specific energy conservation problems,
9 identified specific solutions and provided a clear path
10 to find those solutions. This Commission decision was
11 rendered at a hearing and formally published in Docket
12 No. 870002-EG, Order No. 17281, issued March 12, 1987.
13 With the approval of this type of campaign strategy,
14 Tampa Electric has continued the use of billboard
15 advertising as a critical component in many of its ECCR
16 advertising campaigns.

17
18 In 1997 the company ran its "Energy Saver Rebates"
19 campaign, again, using billboard advertising as an
20 integral component to promote the company's various
21 conservation rebates that were available to our
22 customers. As with the "Hugga Heat Pump" billboards, the
23 messages on "Energy Saver Rebates" billboards were held
24 to a minimum number of words and utilized the image of a
25 Tampa Electric rebate check. The billboards were then

1 augmented with specific media and messages targeting
2 available conservation programs. Again, the limited
3 wording was necessary to communicate a repeatable theme
4 and simultaneously achieve the greatest impact with a
5 quick, simple, single message.

6
7 The billboards identified in Disclosure No. 1 are part of
8 a conservation advertising campaign that ran in 1999 and
9 2000. None of the specific program media and material
10 has been deemed non-compliant. Furthermore, Rule 25-
11 17.015 (5), F.A.C., states, "In determining whether an
12 advertisement is "directly related to an approved
13 conservation program", the Commission shall consider, but
14 is not limited to, whether the advertisement or
15 advertising campaign: a) identifies a specific problem;
16 b) states how to correct the problem; and, c) provides
17 direction concerning how to obtain help to alleviate the
18 problem."

19
20 In as much as Tampa Electric's 1999 to 2000 advertising
21 campaign meets these criteria, that the company can
22 demonstrate the strong relationship of our billboards to
23 our advertising campaign, and that the Commission has
24 ruled favorably on this issue in the past, Tampa Electric
25 Company requests the Commission to accept the ECCR

1 advertising expenses identified in Disclosure No. 1 as
2 appropriate for ECCR inclusion.

3
4 In support of its request for approval of these billboard
5 expenses utilized in its conservation advertising
6 campaign, Tampa Electric has included for filing in this
7 docket the testimony of witness Michael Winner, President
8 of HMS Hallmark - Tampa office. HMS Hallmark is the
9 advertising agency Tampa Electric utilized to create the
10 1999 to 2000 conservation advertising campaign. Witness
11 Winner's testimony addresses the overall campaign, the
12 creative aspects of developing and deploying the various
13 media types into a comprehensive campaign, and the
14 nuances of billboard advertising relative to the total
15 campaign.

16
17 Q. Does this conclude your testimony?

18
19 A. Yes it does.
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BEFORE THE PUBLIC SERVICE COMMISSION
PREPARED DIRECT TESTIMONY
OF
MICHAEL WINNER

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

A. My name is Michael Winner. My business address is Urban Centre, 4890 W. Kennedy Blvd., Suite 920, Tampa, Florida 33609. I am employed by HMS Hallmark ("the Agency") as President of the Tampa office. HMS Hallmark is a full-service advertising agency with offices located in Tampa and Orlando, FL, Pittsburgh, PA and Columbus, OH.

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

A. I graduated from the University of South Florida in 1974 with a degree in psychology. I began my career in 1977 with a Jacksonville based company that published apartment directories and provided graphic production services to its clients. In 1981, I left the publishing company to open an independent advertising agency. Between the years of 1986 and 1997, the company expanded its base of services and successfully merged with

1 Hallmark Tassone, the precursor to HMS Hallmark. Today,
2 HMS Hallmark is nationally ranked in the top 60 of
3 agencies in the United States and is one of the largest
4 independently owned agencies in the country.

5
6 I have been active in the industry. I currently serve on
7 the Florida Council of the American Association of
8 Advertising Agencies. I am a member of both the
9 Leadership Tampa Alumni and The University of Tampa Board
10 of Fellows, and have served on the Board of Directors of
11 both.

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

14
15 A. The purpose of my testimony is to present to you the
16 conservation advertising campaign HMS Hallmark prepared
17 for Tampa Electric. I will describe both the message
18 development (creative) and message delivery (media).

19
20 Specifically, I will address 1) the creative development
21 of the conservation messages; 2) the media selected to
22 communicate the conservation campaign; 3) why billboards
23 were utilized; and, 4) how the billboard message was used
24 to tie the overall conservation campaign together.

25

1 Hallmark Tassone, the precursor to HMS Hallmark. Today,
2 HMS Hallmark is nationally ranked in the top 60 of
3 agencies in the United States and is one of the largest
4 independently owned agencies in the country.

5
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7 the Florida Council of the American Association of
8 Advertising Agencies. I am a member of both the
9 Leadership Tampa Alumni and The University of Tampa Board
10 of Fellows, and have served on the Board of Directors of
11 both.

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13 Q. What is the purpose of your testimony?

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16 conservation advertising campaign HMS Hallmark prepared
17 for Tampa Electric. I will describe both the message
18 development (creative) and message delivery (media).

19
20 Specifically, I will address 1) the creative development
21 of the conservation messages; 2) the media selected to
22 communicate the conservation campaign; 3) why billboards
23 were utilized; and, 4) how the billboard message was used
24 to tie the overall conservation campaign together.

25 DOCUMENT NUMBER-DATE

1 Q. Have you prepared an exhibit that depicts the overall
2 advertising campaign and demonstrates the consistency of
3 the campaign elements and are you prepared to address the
4 specific role of billboards and their effectiveness
5 within the content of that campaign?
6

7 A. Yes. Exhibit No. _____ (MW-1) contains copies of the
8 print ads, bill stuffers, billboards, television
9 commercial, and radio scripts used during the campaign.
10 All elements work together to create the desired effect.
11 The exhibit clearly demonstrates how the billboard
12 messages, copy and visuals, provide a vital link in the
13 overall conservation campaign.
14

15 Q. Please describe the advertising campaign developed for
16 Tampa Electric and utilized during the 1999 to 2000
17 period?
18

19 A. The advertising campaign developed for use in 1999 and
20 2000 was designed to make Tampa Electric customers aware
21 of conservation programs offered by Tampa Electric. The
22 primary audiences were defined as residential customers
23 aged 25 or older and commercial customers. Although
24 Tampa Electric offers conservation programs year around,
25 customers are most interested in these programs during

1 the winter and summer months when their electric bills
2 are the highest.

3
4 Q. Please describe the objectives of the 1999 to 2000
5 advertising campaign?

6
7 A. The objectives of the campaign were to 1) encourage
8 participation in energy conservation programs that help
9 customers reduce energy consumption, thereby deferring
10 the need for the development of costly new power plants;
11 2) present the idea that saving energy is simple,
12 affordable and that saving energy means saving money; 3)
13 inform commercial and residential customers of the
14 immediacy of Tampa Electric's energy solutions. These
15 include duct repair, free home/business energy audits,
16 heat pump rebates, ceiling insulation incentives, load
17 management, commercial lighting rebates, and custom
18 incentives; 4) develop a compelling and unique approach
19 for conservation advertising that cuts through the
20 clutter of messages customers are exposed to; and, 5)
21 adhere to Rule 25-17.015(5), Florida Administrative Code,
22 that requires utility conservation advertising or the
23 utility's advertising campaign to identify a specific
24 problem, state how to correct the problem and provide
25 direction concerning how to obtain help to alleviate the

1 problem.

2

3 **Q.** What was the advertising strategy employed for this
4 campaign?

5

6 **A.** The strategy for this campaign was to create awareness
7 and stimulate customers to contact Tampa Electric to find
8 out more about available conservation products and
9 services. To accomplish this strategy, the Agency's
10 objective was to create a consistent conservation message
11 that would address Tampa Electric's multiple product
12 offerings. This conservation message would then be
13 conveyed through a unified communications campaign that
14 uses a variety of media working together to state the
15 problem, recommend solutions and show customers where to
16 go for energy conservation solutions that work.

17

18 **Q.** How was the conservation message developed?

19

20 **A.** The recurring visual image of a light bulb, appearing in
21 print, billboards and television, became a unifying
22 graphic element for the campaign. Light bulbs are easily
23 recognizable, everyday items that are representative of
24 electric energy. Using a single visual device such as the
25 light bulb strengthens message recognition and enables

1 each part of the campaign to clearly support the other.
2 Light bulbs are common, typical items, in and of
3 themselves, not very unusual or interesting. By
4 modifying the visual context, as we did, showing bulbs
5 floating as balloons, wand-blown bulbs and as
6 paratroopers, light bulbs were used as arresting visual
7 devices that have stopping power and garner attention.
8 This was done with consistency and continuity in three
9 different billboards and throughout the campaign.

10
11 The conservation campaign was tied together and
12 memorability was enhanced with the use of broadcast
13 media. Television and radio commercials were created.
14 Backed by a complimentary music theme, the commercials
15 utilize a strong audio announcer who clearly states the
16 problem (energy waste and expense), specific solutions
17 (i.e., indoor lighting rebates, free energy audits, etc.)
18 and where to go for help (Tampa Electric). This is in
19 compliance with Rule 25-17.015(5), F.A.C., that
20 establishes requirements for conservation advertising
21 campaigns.

22
23 In print, all headlines focus on energy-saving messages,
24 with the copy outlining specific programs and a list of
25 telephone numbers to call for help.

1 In billboards, copy must be kept to a minimum in order to
2 be absorbed by the reader. The problem and solution are
3 simply communicated. The specific billboards and their
4 respective messages are listed below.

5
6 • Billboard No. 1 - Boy with Balloon Bulb

7 "Energy is escaping" (the problem); "Do something" (the
8 promise of a solution and call to action); and finally
9 "Tampa Electric" (where to get the solution).

10
11 • Billboard No. 2 - Woman with Bulb Bubbles

12 "Energy saving ideas" (the problem: a need to identify
13 ways to save energy/save money); "are all around you"
14 (the promise of a solution); and "Tampa Electric"
15 (where to get the solution).

16
17 • Billboard No. 3 - Parachute Bulbs

18 "We'll help you" (the promise of a solution); "bring
19 down energy costs" (the problem: high energy costs);
20 "Tampa Electric" (where to get the solution).

21
22 The impact of this billboard campaign is further
23 strengthened through the close association between the
24 boards and the other materials in the campaign, including
25 print and television. Using the same visuals, the same

1 type style and basic layout design, we create a synergy
2 between campaign elements that makes each element work
3 harder and more effectively to communicate the overall
4 conservation message.

5
6 **Q.** Have studies been done to establish advertising industry
7 criteria for creating billboards that successfully
8 augment an advertising campaign, and if so, what are the
9 results?

10
11 **A.** Yes. Qualitative research on the effectiveness of
12 outdoor advertising was conducted by Sensory Logic, Inc.
13 on behalf of the Outdoor Advertising Association of
14 America. The association wanted to learn how consumers
15 respond to various cues in outdoor advertising for the
16 purpose of developing criteria that would achieve
17 successful outdoor campaigns. Stopping power,
18 readability, message clarity and memorability were deemed
19 to be the key attributes of successful outdoor
20 advertising. Sensory Logic used a unique method of
21 qualitative research called Body Talk™ which includes
22 biofeedback, verbal responses and facial coding to gauge
23 reaction. Within the context of impact and appeal,
24 criteria for success included: 1) imagery that is more
25 powerful than words; 2) inclusion of an anchoring visual

1 element; 3) use of large simple pictures; 4) use of
2 strong contrasting colors; 5) a story line to engage the
3 viewers; 6) a message that relates to familiar
4 experiences and situations; and 7) including playful,
5 lively elements that generate excitement. From the
6 repetitive but playful use of a familiar light bulb to
7 the use of strong contrasting colors, the Tampa Electric
8 conservation billboard campaign clearly meets all of
9 these criteria.

10

11 **Q.** Generally, how do you decide which media you will use for
12 campaigns?

13

14 **A.** We develop a blueprint of the media strategy appropriate
15 to accomplish the goals of the campaign. It provides the
16 framework for our media director to craft a media plan
17 that meets the client's needs. This plan approach was
18 utilized for Tampa Electric's 1999 to 2000 conservation
19 advertising campaign and is outlined in my Exhibit No.
20 _____ (MW-2).

21

22 My exhibit clearly demonstrates how the Agency goes about
23 choosing different media to reach audiences in different
24 ways. Specifically, radio has the ability to reach
25 people more often, creating frequency due to the number

1 of people who listen on their daily commutes in the car
2 and at work. Television has the ability to be seen by
3 larger audiences, creating reach with an emotional
4 message. Print has the ability to communicate a much
5 more detailed message than a 30-second television spot or
6 a 60-second radio commercial. Outdoor billboards have
7 the ability to instantly spark recall of all of the above
8 on a consistent basis.

9
10 Prior to making any media purchase, we look at several
11 factors such as budgeting constraints, targeting
12 audiences that are most likely to respond to the desired
13 message, geographic boundaries, and in Tampa Electric's
14 case, timing of when audiences are most likely to need
15 the products and services being offered. We set reach
16 and frequency goals for how many people we want to reach
17 and how often we want people to see the message so that
18 they will react.

19
20 The general public must see a message at least three
21 times before that message becomes meaningful enough for
22 them to respond. Obviously people do not react to
23 messages they cannot see or hear. "Out of sight, out of
24 mind" is very apropos. For Tampa Electric, telephone
25 calls "spike" or increase noticeably during peak

1 advertising. They also drop off noticeably during
2 periods of little or no advertising.

3
4 The issue of media cost-effectiveness is ever present.
5 We set goals defined as cost-per-thousand or the cost of
6 reaching 1,000 people per ad or commercial, before we
7 make a media buy. That is, we decide the fair market
8 value of advertising based on national averages and then
9 we buy to those goals. This gives us the ability to
10 compare different media and their cost-effectiveness in
11 targeting our audience. Outdoor advertising is one of
12 the most cost-effective media.

13
14 Q. Why were billboards selected as a key component of Tampa
15 Electric's conservation advertising campaign?

16
17 A. The Tampa Bay market is the fourteenth largest media
18 market in the United States. Consistently running on
19 television, on radio and/or in print would be cost-
20 prohibitive. Billboards are the most cost-effective way
21 of advertising on a year-round basis. Their function is
22 to keep the message in front of the public 24 hours a
23 day, 7 days a week, 365 days a year at a cost much lower
24 than other forms of advertising.

25

1 Furthermore, a person has a choice to switch the channel
2 on television or radio, or to not read a newspaper, but
3 they cannot help seeing a billboard on their daily
4 commute to and from work or just driving to the grocery
5 store. In an era of targeted and specialized audience
6 media programming, billboards are considered the last
7 "mass medium," providing a basic reach foundation to all
8 consumers. We purposely chose locations in Tampa
9 Electric's service area that reach the highest number of
10 commuters possible. Locations rotated (hence the term
11 rotary boards) every 60 days to extremely high traffic
12 areas.

13
14 **Q.** How do billboards fit into Tampa Electric's conservation
15 campaign?

16
17 **A.** The outdoor boards are meant to be a reinforcement of the
18 detailed messages that are presented in the print media,
19 in radio and on television. Because people drive past
20 billboards at up to 70 miles per hour, they usually have
21 no longer than seven seconds to see and retain the
22 message, unless of course they happen to be stopped at an
23 intersection. But the images that are portrayed on the
24 billboards in this case were meant to directly relate to
25 the more detailed messages of the campaign. Light bulbs

1 used as balloons, parachutes and bubbles are the exact
2 same images used in all other forms of conservation media
3 for this campaign. Viewers recognize these images,
4 consciously or subconsciously, as part of something else
5 they had seen and/or heard relative to Tampa Electric's
6 conservation programs.

7
8 Q. Explain the efficiency of billboards compared to other
9 media.

10
11 A. Billboards are a very cost-effective medium. With radio,
12 the average cost to reach 1,000 people at least three
13 times in the Tampa Bay market is about \$85. To reach
14 enough people with enough frequency to make people react
15 would cost about \$68,000 in today's market. That would
16 buy four weeks of time on the radio. To keep the radio
17 portion of the media buy on the air for four weeks per
18 quarter would cost \$272,000. For similar exposure on
19 television, the costs are about twice the cost of radio,
20 or approximately \$136,000 per quarter. That would cost
21 \$544,000 for one four-week schedule per quarter.

22
23 An average rotary billboard in the Tampa Bay market
24 reaches about 50,000 people every 24 hours according to
25 the Department of Transportation. The average Tampa Bay

1 market cost for a rotary board is \$3,200 per month. That
2 equates to about \$2.13 per day per thousand viewers.

3
4 Furthermore, the Agency's expertise in media buying
5 worked in Tampa Electric's favor. We negotiated a rate
6 of \$2,700 per board per month for Tampa Electric, making
7 billboards even more cost-effective while enabling the
8 company to keep its message in the public eye on a year-
9 round basis.

10
11 Newspaper, which has an ever-dwindling readership, is
12 even less effective. Advertising, in our market, costs as
13 much as \$103.45 per thousand people per day. The table
14 below summarizes the cost comparison of media options for
15 the Tampa Bay market.

16
17 Cost Comparison of Tampa Bay Market Media Options

18 <u>Medium</u>	<u>Annual \$</u>	<u>Quarterly \$</u>	19 <u>Annual</u>	<u>Cost Per</u>
			<u>Exposure</u>	<u>Thousand</u>
20 Radio	\$272,000	\$68,000	16 weeks	\$ 85.00*
21 Television	\$544,000	\$136,000	16 weeks	\$189.00*
22 Newspaper	\$384,000	\$96,000	16 times	\$103.45
23 Billboards	\$147,480	\$36,870	52 weeks	\$ 2.13

24 *Based on national buying averages

1 Q. Please summarize your testimony.

2

3 A. The 1999 to 2000 Tampa Electric conservation advertising
4 campaign was created with the goal of increasing
5 awareness that Tampa Electric is prepared to help its
6 customers conserve energy. I have demonstrated that the
7 company's conservation campaign was created to attract
8 customers with rational and emotional appeals. It was
9 created with the knowledge and understanding of the
10 criteria required by the Florida Administrative Code.

11

12 My testimony covers how HMS Hallmark creates a media plan
13 and considers a number of factors during the creation of
14 an advertising campaign. In addition to the Agency and
15 client's judgments, media decisions are supported by
16 quantitative information relative to market pricing as
17 well as readership of various media types. This
18 comprehensive approach secures the most cost-effective
19 utilization of resources in the development of an
20 advertising campaign. Finally, I have demonstrated that
21 analyzing communication objectives and taking advantage
22 of the strengths of each medium can result in the
23 delivery of a truly effective conservation campaign to
24 Tampa Electric's customer base.

25

1 Q. Does this conclude your testimony?

2

3 A. Yes it does.

1 COMMISSIONER JABER: Mr. Chairman, I can move
2 stipulated Issues 1, 2, 3, 4A, 4B, 5, 6 and 7.

3 COMMISSIONER PALECKI: Second.

4 CHAIRMAN JACOBS: I had a question on Issue 5. If I
5 may ask a question for a moment. Staff, have we dealt with
6 this issue previously or is this the first time it has come up?

7 MR. COLSON: Yes, this issue has been dealt with
8 through previous Commission order.

9 CHAIRMAN JACOBS: And what are we accomplishing in
10 this round?

11 MR. COLSON: It is my understanding that TECO, since
12 the amount has changed, they have a Commission order that tells
13 them how to deal with -- to calculate the value. So they
14 calculate that value in the conservation cost-recovery using
15 the previous order. The value has changed since the last ECCR
16 filing, the kilowatt hour amount charge.

17 CHAIRMAN JACOBS: Okay. So is there -- and I guess
18 I'm interested in what brought about the change, because I
19 thought all of these -- we had identified and properly
20 accounted for all the expenses out of this, so I guess my
21 question was how do we get to a change and then a further
22 accrual.

23 MR. COLSON: Well, it's based on a calculation
24 depending on usage, so --

25 CHAIRMAN JACOBS: It based on a fallout calculation?

1 MR. COLSON: Right. And it is according to
2 Commission order. I need to go to the Commission order and
3 show exactly what calculation they used to come up with this
4 value.

5 CHAIRMAN JACOBS: Okay. No, we can just cover it
6 later. I will go with your representation on that. But I
7 would like to kind of walk through it so I get a complete
8 understanding of it. I should have remembered the order
9 myself. Any other questions, Commissioners? I have a motion
10 and I believe a second.

11 COMMISSIONER PALECKI: Second.

12 CHAIRMAN JACOBS: A motion and a second. All in
13 favor?

14 (Simultaneous affirmative vote.)

15 CHAIRMAN JACOBS: Opposed. Show then that Issues 1
16 through 5 -- I'm sorry, 7, including 4A and 4B are approved as
17 stipulated. I'm sorry, as staff has recommended. Any other
18 pending matters in Docket 02?

19 MS. STERN: No.

20 CHAIRMAN JACOBS: And with that we are done with
21 Docket 02.

22 (Thereupon, the portion of the hearing pertaining to
23 010002-EG was concluded.

24

25

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

4
5 I, JANE FAUROT, RPR, Chief, Office of Hearing Reporter
6 Services, FPSC Division of Commission Clerk and Administrative
7 Services, do hereby certify that the foregoing proceeding was
8 heard at the time and place herein stated.

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

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

19 DATED THIS 3RD DAY OF DECEMBER, 2001.

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JANE FAUROT, RPR
Chief, Office of Hearing Reporter Services
FPSC Division of Commission Clerk and
Administrative Services
(850) 413-6732