

1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**  
2                   **DETERMINATION OF CONSERVATION COST RECOVERY FACTORS**  
3                   **DIRECT TESTIMONY OF JEFF HOUSEHOLDER**

4                                   **On behalf of**  
5                                   **SEBRING GAS SYSTEM, INC.**

6                                   **DOCKET NO. 070004-GU**

7  
8           **Q.   PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS**  
9           **ADDRESS.**

10          A.   My name is Jeff Householder. I am President of Jeff Householder and  
11               Company, Inc. My firm provides energy consulting, regulatory affairs and  
12               business development services to natural gas utilities, natural gas  
13               marketers, propane gas retailers, government agencies, and a number of  
14               industrial and commercial clients. My business address is 2333 West  
15               33<sup>rd</sup> Street, Panama City, Florida, 32405.

16          **Q.   PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND**  
17          **EDUCATIONAL BACKGROUND.**

18          A.   Prior to beginning my consulting business in October 1999, I was Vice  
19               President of Marketing and Sales for TECO Peoples Gas. While with  
20               TECO, I was also responsible for the management of TECO Gas  
21               Services, an unregulated energy marketing company. I joined Peoples  
22               Gas subsequent to the TECO Energy acquisition of West Florida Natural  
23               Gas Company. At West Florida Natural Gas, I served as Vice President  
24               of Regulatory Affairs and Gas Management. Before that, I was Vice

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1 President of Marketing and Sales at City Gas Company, a division of the  
2 NUI Corporation. Prior to joining City Gas, I was employed as Utility  
3 Administrative Officer for the City of Tallahassee, (an electric, gas, water  
4 and waste water utility). Early in my career, I was a Section Manager  
5 with the Florida Department of Community Affairs, responsible for  
6 administering the Florida Energy Code and related construction industry  
7 regulatory standards. I began my career as an analyst in the Florida  
8 Governor's Energy Office. From 1984 to 1995, concurrent with my other  
9 positions, I provided part-time consulting services to the natural gas,  
10 propane gas and homebuilding industries involving a variety of building  
11 code, marketing and energy regulatory matters. I received a Bachelor of  
12 Science Degree in 1978 from the Florida State University with an  
13 interdisciplinary major in Social Science (Economics and Business), and  
14 additional majors in Government and International Relations.

15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
16 **PROCEEDING?**

17 A. I will briefly describe the status of the Company's recently implemented  
18 conservation programs. In addition, I will propose cost recovery factors  
19 for the twelve-month period ending December 31, 2008.

20 **Q. ARE YOU FAMILIAR WITH SEBRING GAS SYSTEM'S (THE**  
21 **COMPANY) ENERGY CONSERVATION PROGRAMS AND THE**  
22 **REVENUES AND COSTS RELATED TO THEIR IMPLEMENTATION?**

1 A. Yes. I was retained by the Company in January 2007 to develop its initial  
2 energy conservation programs. I prepared the Company's RIM Test and  
3 Participants Test analysis for each conservation program filed before the  
4 Commission on May 25, 2007, in Docket No. 070339.

5 **Q. PLEASE DESCRIBE THE CURRENT STATUS OF THE COMPANY'S**  
6 **CONSERVATION PROGRAMS.**

7 A. Until recently, the Company had no Commission approved energy  
8 conservation programs and did not participate in the Commission's  
9 annual conservation cost recovery docket. As noted above, the  
10 Company petitioned the Commission in May of this year to implement  
11 the following conservation programs:

- 12 • Residential New Construction Program
- 13 • Residential Appliance Replacement Program
- 14 • Residential Appliance Retention Program
- 15 • Conservation Education Program

16 The Commission approved the Company's proposed conservation  
17 programs on August 24, 2007 in Order No. PSC-07-0693-TIF-EG, with  
18 an effective tariff date of September 14, 2007. The Company has  
19 completed the modification of its billing system to accommodate the  
20 approved energy conservation cost recovery factors. The Company has  
21 modified its accounting system to address conservation related revenues  
22 and expenses. The Company has established internal administrative  
23 processing procedures for conservation incentive payments and has

1           been working with local appliances vendors and homebuilders to review  
2           the conservation program features and administrative requirements. A  
3           mailing to consumers announcing the new programs is scheduled for  
4           November 2007.

5   **Q.   HAS THE COMPANY BILLED CONSUMERS THE APPROVED**  
6   **CONSERVATION COST RECOVERY FACTOR?**

7   A.   No. The Commission established a September 14, 2007 effective date  
8           for the Company's tariff modification, including the cost recovery factors.  
9           Sebring conducts its monthly meter readings at the end of each month.  
10          The first consumer billing to include the new conservation recovery  
11          factors will be on or about October 1, 2007. No conservation revenues  
12          have been received by the Company to date.

13   **Q.   PLEASE DESCRIBE THE CONSERVATION PROGRAM EXPENSES**  
14   **INCURRED BY THE COMPANY TO DATE.**

15   A.   The program expenses incurred to date are related entirely to the  
16          development and filing of the programs before the Commission  
17          (consultant and legal expenses) and minor expense to adjust the  
18          Company's billing system as described above. No program incentive  
19          payments have been made to consumers. Given that no conservation  
20          revenues have been received at this time by the Company to offset the  
21          program development expenses, the Company is in a net under-  
22          recovered position.

1 Q. IS THERE ANY REASON TO ANTICIPATE THAT PROJECTED 2008  
2 CONSERVATION REVENUES OR EXPENSES WOULD  
3 SIGNIFICANTLY AFFECT THE COMPANY'S RECENTLY APPROVED  
4 RECOVERY FACTORS?

5 A. No. In its May 25, 2007 conservation program petition, the company  
6 provided several schedules that calculated the conservation cost  
7 recovery factors subsequently approved by the Commission. The  
8 schedules assumed a seven month (June 2007-December 2007) period.  
9 Most of the expenses in the initial recovery period, as noted above, are  
10 related to program development and filing costs and are incorporated  
11 into the current factors. The Company has no actual experience offering  
12 conservation programs in its market area, and so has no historical basis  
13 for estimating participation levels or actual expenses. There are no  
14 known material changes in the Company's 2008 number of customers,  
15 their usage levels or other components used in calculating the recovery  
16 factors. If the Company were to file projections for 2008, they would not  
17 be substantively different from the projections used in its determining the  
18 existing recovery factors.

19 Q. WHAT CONSERVATION COST RECOVERY FACTORS IS THE  
20 COMPANY PROPOSING FOR THE ANNUAL PERIOD ENDING  
21 DECEMBER 31, 2008?

22 A. The Company proposes to continue the conservation factors approved  
23 by the Commission, effective September 14, 2007, through the annual

1 period ending December 31, 2008. The Company would participate in  
2 the 2008 Conservation Cost Recovery docket with the benefit of actual  
3 expense and revenue history to guide the determination of its proposed  
4 recovery factors for the 2009 annual period.

5 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

6 **A. Yes.**