

MESSER CAPARELLO & SELF, P.A.

Attorneys At Law
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October 7, 2008

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COMMISSION CLERK

BY HAND DELIVERY

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

Re: Docket No. 080004-GU; Florida Public Utilities Company

Dear Ms. Cole:

Enclosed for filing on behalf of Florida Public Utilities Company are an original and 15 copies of the Rebuttal Testimony of Marc S. Seagrave in the above referenced docket.

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me in the enclosed self-addressed stamped envelope.

Thank you for your assistance in this matter.

Sincerely,

Norman H. Horton, Jr. (with signature)

NHH:amb
Enclosures
cc: Mr. Marc S. Seagrave
Parties of Record

- COM 541
ECR
GCL 1
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DOCUMENT NUMBER-DATE
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FPSC-COMMISSION CLERK

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 080004-GU
DETERMINATION OF CONSERVATION COSTS RECOVERY FACTOR

Rebuttal Testimony of
MARC S. SEAGRAVE
On Behalf of
FLORIDA PUBLIC UTILITIES COMPANY
CONSOLIDATED NATURAL GAS DIVISION

- 11 Q. Please state your name and business address.
- 12 A. My name is Marc S. Seagrave. My business address
13 is P.O. Box 3395, West Palm Beach, Florida 33402-
14 3395.
- 15 Q. Have you previously filed Direct Testimony in this
16 Docket?
- 17 A. Yes.
- 18 Q. What is the purpose of your Rebuttal Testimony?
- 19 A. Ms. Welch attached the Staff Audit Report to her
20 testimony as an exhibit and my purpose is to
21 provide the Company's responses to this report.
- 22 Q. Have you attached an exhibit to your Rebuttal
23 Testimony?
- 24 A. Yes. Exhibit No. ____ (MSS-3) contains the response
25 to the Audit Findings contained in the Audit
26 Report attached as Exhibit KLW-2 to Ms. Welch's
27 testimony. These responses were filed with the
28 Commission Clerk on August 7, 2008 and are part of
29 the documents filed in this docket.

DOCUMENT NUMBER-DATE

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1 Q. Did Ms. Welch make any recommendations in the Staff
2 Audit?

3 A. Yes, for Audit Findings 2 and 4, and I would point
4 out that as to these two findings the response by
5 FPUC states that we agree with the Audit Finding.
6 However, she did not make a recommendation as to
7 Audit Findings 1 and 3. As to Audit Findings 1 and
8 3, the Report simply states that the ". . . finding
9 is reported for information purposes." It is our
10 position that the activities addressed in these two
11 Findings are appropriate for recovery.

12 Q. Does this conclude your Rebuttal Testimony?

13 A. Yes.

AUDIT FINDING NO. 1

SUBJECT: DEMO KITCHEN

AUDIT ANALYSIS: An invoice paid to Relwood Installation Corp in September 2007 for \$6,250 was for a demo kitchen. It was charged to account 121.4010.909 – West Palm Advertising expense. The kitchen is in the front of the gas appliance showroom in the West Palm Beach office building and appears to be part of the appliance sales display.

According to the company strategy brief, "the Energy Star kitchen contributes to conservation by promoting efficient use of energy efficient appliances. The kitchen creates an educational environment to engage customers in exploring the various features of an appliance that make the appliance more energy and/or resource efficient. One of the major myths of energy efficiency is that energy efficient products sacrifice looks and performance to achieve efficiency. The high end look of the kitchen and appliances demonstrate that energy efficiency and style are not mutually exclusive."

The kitchen also benefits appliance sales and may be more appropriately recorded below the line.

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

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

FPU's Response:

In an effort to promote energy efficiency and FPU's Natural Gas Conservation Appliance Rebate Programs, FPU decided to construct a kitchen with Energy Star appliances to communicate this message. The goal in creating FPU's Energy Star kitchen was to dispel the myth that a customer must be willing to sacrifice looks and performance to achieve energy efficiency. By creating an Energy Star Kitchen with a high end look, FPU demonstrates to our customers that energy efficiency and style are not mutually exclusive.

Additionally, the Energy Star Kitchen promotes energy efficiency by utilizing the brand recognition of the Energy Star label as a means to visually promote our customers to purchase appliances with the highest energy ratings.

Lastly, FPU also engaged in creating the Energy Star kitchen as a means to communicate to our customer that FPU has officially become a member of the joint venture between the Environmental Protection Agency and the Department of Energy's Energy Star program.

DOCUMENT NUMBER-DATE

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AUDIT FINDING NO. 2

SUBJECT: CAR WRAP

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

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

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

EFFECT ON FILING: Gas costs should be decreased by \$3,012.89 and interest of \$112 for a total increase to the over-recovery of \$3,125.

FPU's Response:

FPU agrees with the recommendations in Audit Finding No. 2 and will implement the changes of increasing Electric Costs to \$3,123. This expense was incorrectly divided between Natural Gas and Electric Conservation; the correction will result in a 100% expense to Electric conservation and a credit to Natural Gas conservation of \$3,123.

AUDIT FINDING NO. 3

SUBJECT: ENTERTAINMENT AND SPOUSE EXPENSES

AUDIT ANALYSIS: A company employee was reimbursed for expenses for a Builder Development Conference in Bonita Beach in May of 2007. The expense included entertainment costs of \$1,011.96 for employees and a builder and his wife. These costs were charged to account 121.4010.907-West Palm Beach Supervision expenses.

In June 2007, \$1,875 was paid to the SGA Builders and Developers Conference for registration for spouses and an Eco Tour for both the spouses and the participants. One of the registrations paid was for a developer and his wife.

According to the utility representative, "spouses of the builders and developers are invited and are encouraged to participate in all meetings, social events and educational seminars. The thought process behind inviting the spouses is based on the theory that if you convince the spouse, they too will encourage the use of natural gas and will want to attend future events. It is vital that the industry reach out to and educate the decision makers that will impact future expansion of natural gas."

"To balance out the networking and social interaction, FPU and other participating companies invite their spouses as well to attend and to assist with the marketing of natural gas and the conservation programs under which we provide incentives in the form of rebates and services."

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

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

FPU's Response:

FPU participates on the residential marketing committee of the Southern Gas Association. As a member of the committee, FPU assists in the planning for the event and the content to which the natural gas industry intends for the builder/developer audience to hear and learn from. Much of the SGA builder and developer conference is centered on the benefits of natural gas to the consumer, much of which encourages construction methods that incorporate the use of natural gas a domestically produced energy source that when used conserves electric generation and the fuel source of that generation.

The conference also serves as a platform for builders and developers to network with each other and to make the necessary contacts in the natural gas industry so that they can learn more about constructing homes with natural gas and the conservation rebate programs that

are available to them. The attendees are encouraged to bring their spouses along so that they too can be part of the education and decision making process.

FPU attendees also bring along spouses so as to balance out the *interaction and networking*. There are social events planned at each conference for the participants to attend so that they are able to get to know one another on a more personal business. The social activities have long *proven to help in the process of getting the natural gas message across and bringing the business parties together in a less structured environment.*

AUDIT FINDING NO. 4

SUBJECT: INTEREST RATES

AUDIT ANALYSIS: Florida Public Utilities did not use the correct Wall Street Journal Interest Rates. This error resulted in an understatement of the over-recovery of \$1,004. The attached schedule details the difference with the new rates.

EFFECT ON GENERAL LEDGER: The true up account needs to be credited with the \$1,004 of interest.

EFFECT ON FILING: Interest expense should be decreased by \$1,004.

FPU's Response:

FPU agrees that we the incorrect Wall Street Journal interest rates were used, which did in fact lead to an over-recovery \$1,004. FPU will credit the True-Up account with \$1,004 of interest, and decrease NG expenses by \$1,004.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that true and correct copies of the foregoing have been served by U. S. Mail this 7th day of October, 2008 upon the following:

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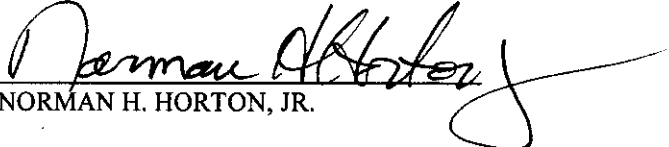
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