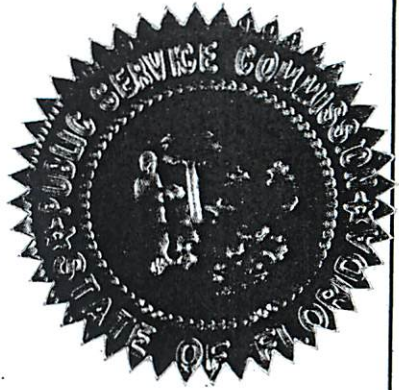


BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 090004-GU

NATURAL GAS CONSERVATION  
COST RECOVERY.



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PROCEEDINGS: HEARING

BEFORE: CHAIRMAN LISA POLAK EDGAR  
COMMISSIONER MATTHEW M. CARTER, II  
COMMISSIONER NANCY ARGENZIANO  
COMMISSIONER NATHAN A. SKOP  
COMMISSIONER DAVID E. KLEMENT

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

DATE: Monday, November 2, 2009

REPORTED BY: LINDA BOLES, RPR, CRR  
Official FPSC Reporter  
(850) 413-6734

DOCUMENT NUMBER-DATE

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FLORIDA PUBLIC SERVICE COMMISSION

FPSC-COMMISSION CLERK

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## 1 APPEARANCES:

2 BETH KEATING, ESQUIRE, Akerman, Senterfitt,  
3 106 East College Avenue, Suite 1200, Tallahassee, FL  
4 32301, appearing on behalf of Florida City Gas and  
5 Chesapeake Utilities Corporation.

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11 Assenderp, P.A., 225 South Adams Street, Suite 200,  
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14 CECILIA BRADLEY, ESQUIRE, Office of the  
15 Attorney General, The Capitol PL-01, Tallahassee,  
16 Florida 32399-1050, appearing on behalf of the Citizens  
17 of the State of Florida.

18 KATHERINE FLEMING, ESQUIRE, FPSC General  
19 Counsel's Office, 2540 Shumard Oak Boulevard,  
20 Tallahassee, Florida 32399-0850, appearing on behalf of  
21 the Florida Public Service Commission Staff.

22 SAMANTHA CIBULA, ESQUIRE, FPSC General  
23 Counsel's Office, 2540 Shumard Oak Boulevard,  
24 Tallahassee, Florida 32399-0850, appearing as advisor to  
25 the Commission.

## I N D E X

## WITNESSES

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EXHIBITS

NUMBER:	ID.	ADMTD.
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(A detailed description of exhibits  
can be found on Comprehensive Exhibit  
List.)

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

\* \* \* \* \*

1  
2  
3           **CHAIRMAN CARTER:** Now, Commissioners, we move  
4 to the 04 docket, the 04 docket. Staff, you're  
5 recognized.

6           **MS. FLEMING:** 04 is similar to the 03 docket;  
7 St. Joe Natural Gas and Peoples Gas System have been  
8 excused. There are proposed stipulations on all issues  
9 and all witnesses have been excused.

10           **CHAIRMAN CARTER:** How about the prefiled  
11 testimony?

12           **MS. FLEMING:** Staff would ask that the  
13 prefiled testimony of the witnesses found on Page 4 of  
14 the Prehearing Order be moved into the record as though  
15 read.

16           **CHAIRMAN CARTER:** The prefiled testimony of  
17 the witnesses will be inserted into the record as though  
18 read.

19           **MS. FLEMING:** Staff also prepared a  
20 Comprehensive Exhibit List which contains Exhibits  
21 1 through 18, and staff would ask that the exhibit list  
22 be marked as shown and all the exhibits, 1 through 18,  
23 moved into the record.

24           **CHAIRMAN CARTER:** Without objection, show it  
25 done.

## 1                   BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2                   In Re: Conservation Cost Recovery Clause

3                   DIRECT TESTIMONY OF THOMAS A. GEOFFROY

4                   On Behalf of5                   Chesapeake Utilities Corporation

6                   DOCKET NO. 090004-GU

7    Q.    Please state your name, business address, by whom you are employed, and in  
8           what capacity.9    A.    My name is Thomas A. Geoffroy. My business address is 1015 Sixth Street,  
10           N.W. Winter Haven, Florida 33881. I am employed by Chesapeake Utilities  
11           Corporation ("Chesapeake") as the Vice President of the Florida Division of  
12           Chesapeake Utilities Corporation.13   Q.    Are you familiar with the energy conservation programs of Chesapeake and  
14           the revenues and costs that are associated with these programs?

15   A.    Yes.

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

17   A.    The purpose of my testimony is to present data and summaries concerning the  
18           planned and actual accomplishments of Chesapeake's energy conservation  
19           programs during the period January 2008 through December 2008. Data  
20           related to calculation of the true-up for this period is also included.21   Q.    Have you prepared summaries of Chesapeake's conservation programs and  
22           the costs associated with them?

1 A. Yes. Summaries of the seven programs in connection with which Chesapeake  
2 incurred recoverable costs during the period January 2008 through December  
3 2008 are contained in Schedule CT-6 of Exhibit TG-1. Included are our  
4 Residential New Construction Program, Residential Appliance Replacement  
5 Program, Residential Propane Distribution Program, Residential Appliance  
6 Retention Program, Natural Gas Space Conditioning for Residential Homes  
7 Program, Gas Space Conditioning Program, and the Conservation Education  
8 Program.

9 Q. Have you prepared schedules which show the expenditures associated with  
10 Chesapeake's energy conservation programs for the periods you have  
11 mentioned?

12 A. Yes. Schedule CT-2 page 1, Exhibit TG-1 shows actual expenses for the  
13 period, and also shows a comparison of the actual program costs and true-up  
14 with the estimated costs and true-up submitted at the November 2008 hearing  
15 in this docket.

16 Q. What was the total cost incurred by Chesapeake in connection with the seven  
17 programs during the twelve months ending December 2008?

18 A. As shown in Exhibit TG-1, Schedule CT-2, page 2, total program costs were  
19 \$714,243. This total is (\$308,946) less than our projection of the program  
20 costs for the twelve month period.

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

23 A. Yes. Schedule CT-2, page 3, of Exhibit TG-1 shows these variances.

1 Q. What is Chesapeake's adjusted net true-up for the twelve months ended  
2 December 2008?

3 A. As shown on Schedule CT-2, page 1, of Exhibit TG-1, we originally estimated  
4 an over-recovery, including interest, of (\$538,645). This projected true-up  
5 amount was based on conservation revenues of \$1,545,820 for the period  
6 January 2008 through December 2008. However, the approved energy  
7 conservation rates for transportation services during this period actually  
8 yielded conservation revenues of \$1,448,461, or (\$97,359) under the  
9 projection. Expenses for the period were (\$308,946) less than projected. The  
10 total difference, including interest of (\$802), is (\$212,389).

11 Q. Is this adjusted net true-up of (\$212,389) an over-recovery or an under-  
12 recovery?

13 A. An over-recovery, as shown on Schedule CT-1 of Exhibit TG-1.

14 Q. Does this conclude your testimony?

15 A. Yes, it does.



## 1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 In Re: Natural Gas Conservation Cost Recovery

3 DIRECT TESTIMONY OF THOMAS A. GEOFFROY

4 On behalf of5 The Florida Division of Chesapeake Utilities Corporation6 DOCKET NO. 090004-GU

7 Q. Please state your name, occupation, and business address.

8 A. My name is Thomas A. Geoffroy. I am the Vice President of the Florida Division of  
9 Chesapeake Utilities Corporation. My business address is 1015 6th Street, N.W., Winter  
10 Haven, Florida 33881.

11 Q. Describe briefly your educational background and relevant professional background.

12 A. I have a Bachelor's of Science degree in Accounting from the University of Florida. I have  
13 been employed in the natural gas industry in Florida for over twenty years, in various  
14 accounting and management roles. I was first employed by the Florida Division of Chesapeake  
15 Utilities Corporation in November 1996 as the Florida Regional Manager.16 Q. Are you familiar with the energy conservation programs of the Company and costs which have  
17 been, and are projected to be, incurred in their implementation?

18 A. Yes.

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

20 A. To describe generally the expenditures made and projected to be made in implementing,  
21 promoting, and operating the Company's energy conservation programs. This will include  
22 recoverable costs incurred in January through July 2009 and projections of program costs to be  
23 incurred from August through December 2009. It will also include projected conservation costs  
24 for the period January through December 2010, with a calculation of the Energy Conservation  
25 Cost Recovery Adjustment and Energy Conservation Cost Recovery Adjustment

1 (Experimental) factors to be applied to the customers' bills during the collection period of  
2 January 1, 2009 through December 31, 2010.

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

5 A. Yes. Summaries of the seven programs are contained in Schedule C-4 of Exhibit TG-2.  
6 Included are the Residential New Construction Program, the Residential Appliance  
7 Replacement Program, the Residential Propane Distribution Program, the Residential Appliance  
8 Retention Program, the Natural Gas Space Conditioning for Residential Homes Program, the  
9 Gas Space Conditioning Program, and the Conservation Education Program.

10 Q. Have you prepared schedules that show the expenditures associated with the Company's energy  
11 conservation programs for the periods you have mentioned?

12 A. Yes, Schedule C-3, Exhibit TG-2 shows actual expenses for the months January through July  
13 2009. Projections for August through December 2009 are also shown on Schedule C-3.  
14 Projected expenses for the January through December 2010 period are shown on Schedule C-2  
15 of Exhibit TG-2.

16 Q. Have you prepared schedules that show revenues for the period January through December  
17 2009?

18 A. Yes. Schedule C-3 (Page 4 of 5) shows actual revenues for the months January through July  
19 2009. Projections for August through December 2009 are also shown on Schedule C-3 (Page 4  
20 of 5).

21 Q. Have you prepared a schedule that shows the calculation of the Company's proposed Energy  
22 Conservation Cost Recovery Adjustment factors to be applied during billing periods from  
23 January 1, 2010 through December 31, 2010?

24 A. Yes. Schedule C-1 of Exhibit TG-2 shows these calculations. Net program cost estimates for  
25 the period January 1, 2010 through December 31, 2010 are used. The estimated true-up amount

1 from Schedule C-3 (Page 4 of 5, Line 12) of Exhibit TG-2, being an over-recovery, was added  
2 to the total of the projected costs for the twelve-month period. The total amount was then  
3 divided among the Company's rate classes, excluding customers who are on market-based rates,  
4 based on total projected contribution. The results were then divided by the projected gas  
5 throughput for each rate class for the twelve-month period ending December 31, 2010. The  
6 resulting Energy Conservation Cost Recovery Adjustment factors are shown on Schedule C-1  
7 (page 1 of 2) of Exhibit TG-2.

8 Q. Have you prepared a schedule that shows the calculation of the Company's proposed Energy  
9 Conservation Cost Recovery Adjustment (Experimental) factors for certain rate classes on an  
10 experimental basis to be applied during billing periods from January 1, 2010 through December  
11 31, 2010?

12 A. Yes, experimental per bill rates were approved for rate classes FTS-A, FTS-B, FTS-1, FTS-2,  
13 and FTS-3. A similar calculation as the per therm rate described above was made; however, the  
14 projected number of bills for each rate class for the twelve-month period ending December 31,  
15 2010 was utilized. The resulting Energy Conservation Cost Recovery Adjustment  
16 (Experimental) factors are shown on Schedule C-1 (page 2 of 2) of Exhibit TG-2.

17 Q. Does this conclude your testimony?

18 A. Yes, it does.

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 DIRECT TESTIMONY OF CAROLYN BERMUDEZ

3 ON BEHALF OF

4 FLORIDA CITY GAS

5 DOCKET NO. 090004-GU

6 MAY 1, 2009

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

10  
11 A. My name is Carolyn Bermudez and my business address is 955 East 25th  
12 Street, Hialeah, Florida 33013-3498. I am employed by Florida City Gas as  
13 Director, Strategic Business & Financial Planning.

14  
15 **Q. Are you familiar with the energy conservation programs of Florida**  
16 **City Gas?**

17  
18 A. Yes, I am.

19  
20 **Q. Are you familiar with the costs that have been incurred and that are**  
21 **projected to be incurred by Florida City Gas in implementing its**  
22 **energy conservation programs?**

23  
24 A. Yes, I am.

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

2           A.    To submit the recoverable costs incurred during the period ending  
3           December 31, 2008, and to identify the final true-up amount related to that  
4           period.

5

6           **Q.    Has Florida City Gas prepared schedules which show the**  
7           **expenditures associated with its energy conservation programs for**  
8           **the period you have mentioned?**

9

10          A.    Yes. I have prepared and filed together with this testimony Exhibit CB-1  
11          consisting of Schedules CT-1, CT-2 and CT-3.

12

13          **Q.    What amount did Florida City Gas spend on conservation programs**  
14          **during this period?**

15

16          A.    \$2,678,650.

17

18          **Q.    What is the final true-up amount associated with the period**  
19          **ending December 31, 2008?**

20

21          A.    An under-recovery of \$189,286.

22

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

24

25          A.    Yes, it does.

1                   BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2                   DIRECT TESTIMONY OF CAROLYN BERMUDEZ

3                   ON BEHALF OF

4                   FLORIDA CITY GAS

5                   DOCKET NO. 090004-GU

6                   September 11, 2009

7

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

10

11  A.    My name is Carolyn Bermudez and my business address is 955 East 25th Street,  
12        Hialeah, Florida 33013-3498. I am employed by Florida City Gas as Director, Strategic  
13        Business & Financial Planning.

14

15  **Q.    Are you familiar with the energy conservation programs of Florida City Gas?**

16

17  A.    Yes, I am.

18

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

21

22  A.    Yes, I am.

23

24

25

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

2

3 A. To submit the conservation cost recovery true-up for the final true-up period January 1,  
4 2008 through December 31, 2008, and for the actual and estimated period of January  
5 1, 2009, through December 31, 2009. I will also present the total level of costs Florida  
6 City Gas seeks to recover through its conservation factors during the period January 1,  
7 2010 through December 31, 2010, as well as the conservation factors which, when  
8 applied to our customer's bills during the period January 1, 2010 through December 31,  
9 2010, will permit recovery of total ECCR costs.

10

11 Q. What is the Company's estimated true-up for the period January 1, 2009 through  
12 December 31, 2009?

13

14 A. An under-recovery of \$49,297. This amount is calculated on page 4 of Schedule C-3  
15 and takes into account the final true-up for the year ended December 31, 2008, which  
16 was an under-recovery of \$954,338, including interest.

17

18 Q. What is the total cost Florida City Gas seeks to recover during the period January  
19 1, 2010 through December 31, 2010?

20 A. \$2,088,536. This represents the projected costs of \$2,039,239 to be incurred during  
21 2010, plus the estimated true-up of \$ 49,297 for calendar year 2009.

22

23

24

25

1 Q. What conservation factors does Florida City Gas need to permit recovery of these  
2 costs?

3

4 A.	GS-1, GS-100, GS-220 (Sales & Transportation)	\$0.06112
5	GS-600 (Sales & Transportation)	\$0.03073
6	GS-1200 (Sales & Transportation)	\$0.01903
7	GS-6k (Sales & Transportation)	\$0.01559
8	GS-25000 (Sales & Transportation)	\$0.01526
9	GS-60000 (Sales & Transportation)	\$0.01495
10	Gas Lights	\$0.03043
11	GS-120000 (Sales & Transportation)	\$0.01182
12	GS-250000 (Sales & Transportation)	\$0.01046

13

14 Q. Has Florida City Gas prepared schedules to support its requested Conservation  
15 Cost Recovery Factor?

16

17 A. Yes. I have prepared and filed together with this testimony Schedules C-1 through C-3  
18 as prescribed by Commission Staff.

19

20 Q. Does this conclude your testimony?

21

22 A. Yes, it does.



BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET NO. 090004-GU  
DETERMINATION OF CONSERVATION COSTS RECOVERY FACTOR

Direct Testimony of  
MARC S. SEAGRAVE

On Behalf of  
FLORIDA PUBLIC UTILITIES COMPANY

- 1 Q. Please state your name and business address.
- 2 A. Marc S. Seagrave: my business address is 401 S. Dixie Highway,  
3 West Palm Beach, Florida 33401.
- 4 Q. By whom are you employed and in what capacity?
- 5 A. I am employed by Florida Public Utilities Company as Director of  
6 Marketing and Sales.
- 7 Q. What is the purpose of your testimony at this time?
- 8 A. To advise the Commission of the actual over/under recovery of the  
9 Conservation costs for the period January 1, 2008 through  
10 December 31, 2008 as compared to the amount previously reported  
11 for that period which was based on seven months actual and five  
12 months estimated data.
- 13 Q. Please state the actual amount of over/under recovery of  
14 Conservation Program costs for the gas divisions of Florida  
15 Public Utilities Company for January 1, 2008 through December 31,  
16 2008.

1 A. The Company over-recovered \$381,259 during that period. This  
2 amount is substantiated on Schedule CT-3, page 2 of 3,  
3 Calculation of True-up and Interest Provision.

4 Q. How does this amount compare with the estimated true-up amount  
5 which was allowed by the Commission?

6 A. We had estimated that we would over-recover \$419,248 as of  
7 December 31, 2008.

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

9 A. We have prepared and pre-filled Schedules CT-1, CT-2, CT-3, CT-4,  
10 CT-5 and CT-6 (Composite Exhibit MSS-1).

11 Q. Does this conclude your testimony?

12 A. Yes.



1 through December 2009?

2 A. As reflected in the Schedule C-3, Page 4 of 5, the  
3 True-up amount for the Consolidated Natural Gas  
4 Division is an over-recovery of \$450,853.

5 Q. What are the resulting net total projected  
6 conservation costs to be recovered during this  
7 projection period?

8 A. The total costs to be recovered are \$1,580,407.

9 Q. What is the Conservation Adjustment Factor necessary  
10 to recover these projected net total costs?

11 A. The Conservation Adjustment Factors per therm for  
12 the Consolidated Natural Gas Division are:

13	Residential	\$ .05658
14	General Service and	
15	GS Transportation	\$ .02506
16	Large Volume Service and	
17	LV Transportation <50,000	\$ .02184
18	Large Volume Transportation	
19	Service >50,000	\$ .02184

20 Q. Are there any exhibits that you wish to sponsor in  
21 this proceeding?

22 A. Yes. I wish to sponsor as Exhibits Schedules C1,  
23 C-2, C-3, and C-5 (Composite Prehearing  
24 Identification Number MSS-2), which have been filed  
25 with this testimony.

26

1 Q. How does Florida Public Utilities plan to promote  
2 the Commission approved conservation programs to  
3 customers?

4 A. These programs will be promoted through the  
5 implementation of the company's "Good Cents"  
6 branding.

7 Q. What is the "Good Cents" branding?

8 A. "Good Cents" is a nationally recognized, licensed  
9 energy conservation branding program. This program  
10 is fuel neutral by design and has been successfully  
11 utilized by approximately 300 electric and natural  
12 gas utilities located across 38 states from Maine,  
13 to Florida to California and Washington. In the  
14 winter of 2000, Florida Public Utilities expanded  
15 its 20 year old branding license arrangement to  
16 include the Commission approved natural gas  
17 conservation programs.

18 Q. How does Florida Public Utilities utilize this  
19 branding?

20 A. The Company uses the "Good Cents" branding to create  
21 an awareness of its energy conservation and fuel  
22 neutral programs among consumers, businesses,  
23 builders and developers. Florida Public Utilities  
24 will leverage the high visibility brand, well  
25 established national image of quality, value and  
26

1 savings, established public awareness (nearly 30%  
2 national average) and proven promotional lift  
3 (average 11%) to build participation in our  
4 residential and commercial energy conservation  
5 programs. We will apply the branding strategy to  
6 promotional activities via broadcast and print  
7 media, educational events and collateral materials.  
8 Through this branding, end users and specifiers can  
9 readily identify where to obtain energy expertise to  
10 assist them with their energy decisions.

11 Q. Does the campaign meet the guidelines for recovery  
12 under Rule 25-17.015, Energy Conservation Cost  
13 Recovery?

14 A. Yes, the campaign meets the guidelines established  
15 by Rule 25-17.015, Energy Conservation Cost  
16 Recovery.

17 Q. Has Florida Public Utilities Company included the  
18 estimated cost of the campaign in the projected  
19 costs associated with the conservation programs?

20 A. Yes, the estimated cost of the campaign and services  
21 are included in the budget projections for 2010.

22 Q. Does this conclude your testimony?

23 A. Yes.

1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2                   **In Re: Conservation Cost Recovery True-Up**

3                   **Direct Testimony of Melissa M. Powers**

4                   **On Behalf of**

5                   **Indiantown Gas Company, Inc.**

6                   **Docket No. 090004-GU**

7

8   **Q.    PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

9    A.    My name is Melissa M. Powers. My business address is Indiantown  
10       Gas Company, Inc., P.O. Box 8, Indiantown, FL 34956

11 **Q.    BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

12 A.    I am the Chief Financial Officer of Indiantown Gas Company, Inc. (the  
13       "Company").

14 **Q.    ARE YOU FAMILIAR WITH THE COMPANY'S APPROVED ENERGY**  
15 **CONSERVATION PROGRAMS AND THE REVENUES AND COSTS**  
16 **THAT ARE ASSOCIATED WITH THESE PROGRAMS?**

17 A.    Yes.

18 **Q.    WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
19 **DOCKET?**

20 A.    The purpose of my testimony is to submit the recoverable energy  
21       conservation program expenses incurred during the period January  
22       2008 through December 2008, and to identify the final true-up amount  
23       for that period.

1 **Q. DID THE COMPANY PARTICIPATE IN THE COST RECOVERY**  
2 **FACTOR PROCEEDING IN DOCKET 080004?**

3 A. Yes. In September 2008, the Company filed a petition and testimony in  
4 Docket 080004-GU requesting updated cost recovery factors for  
5 calendar year 2009 which were approved by the Commission on  
6 December 1, 2008 with Order No. PSC-08-0785-FOF-GU. In July  
7 2008 the Company's program was audited and an over recovery of  
8 \$1391 was determined

9 **Q HAVE YOU PREPARED SUMMARIES OF THE COMPANY'S**  
10 **CONSERVATION PROGRAMS AND THE COSTS ASSOCIATED**  
11 **WITH THEM?**

12 A. Yes. Summaries of the four (4) approved programs for which the  
13 Company incurred recoverable costs during the period January 2008  
14 through December 2008 are included in Schedule CT-6 of Exhibit  
15 MMP-1. The programs are: the Residential New Construction Program,  
16 the Residential Appliance Replacement Program, the Residential  
17 Appliance Retention Program, and the Conservation Education  
18 Program.

19 **Q. HAVE YOU PREPARED SCHEDULES WHICH SHOW THE**  
20 **EXPENDITURES ASSOCIATED WITH THE COMPANY'S ENERGY**  
21 **CONSERVATION PROGRAMS FOR THE APPLICABLE PERIOD?**

22 A. Yes. I have prepared and filed with this testimony Exhibit MMP-1  
23 consisting of Schedules CT-1, CT-2 and CT-3.



1 Q. **WHAT WAS THE TOTAL COST INCURRED BY THE COMPANY IN**  
2 **CONNECTION WITH THE FOUR (4) PROGRAMS DURING THE**  
3 **TWELVE MONTHS ENDING DECEMBER 2008?**

4 A. As shown in Exhibit MMP-1, Schedule CT-2, page 2, total program  
5 costs were \$11,970.

6 Q. **WHAT IS THE COMPANY'S FINAL TRUE-UP FOR THE TWELVE**  
7 **MONTHS ENDED DECEMBER 2008?**

8 A. An over recovery of \$11,080.

9 Q. **DOES THIS CONCLUDE YOUR TESTIMONY?**

10 A. Yes, it does.

1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2                                   **DIRECT TESTIMONY**

3   **OF MELISSA M. POWERS**

4   **ON BEHALF OF INDIANTOWN GAS COMPANY, INC**

5   **DOCKET NO. 090004-GU**

6   **September 2009**

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

9   A.     My name is Melissa M. Powers. My business address is Indiantown Gas  
10         Company, Inc., P.O. Box 8, Indiantown, FL 34956.

11 **Q.     BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

12 A.     I am the Chief Financial Officer of Indiantown Gas Company (IGC or the  
13         Company).

14 **Q.     WHAT ARE YOUR CURRENT DUTIES AS THE COMPANY'S CFO?**

15 A.     I oversee all of the Company's accounting, customer billing and regulatory  
16         reporting functions. I am also responsible for administering the Company's  
17         energy conservation programs. In that capacity, I am familiar with each program  
18         and the costs and revenues associated with their administration.

19 **Q.     WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

20 A.     My testimony will present actual and projected expenditures and revenues  
21         related to promoting and administering the Company's energy conservation

1 programs in 2009 and 2010. I will provide the adjusted net true-up amount  
2 associated with program administration for the January 2008 through December  
3 2008 period. Actual program costs are provided for the period January 1, 2009  
4 through August 31, 2009. My testimony projects the costs the Company  
5 expects to incur from September 1, 2009 through December 31, 2009. I will  
6 also indicate the total costs IGC seeks to recover through its conservation  
7 factors during the period January 1, 2010 through December 31, 2010. Finally, I  
8 will also propose the energy conservation cost recovery factors which, when  
9 applied to consumer bills during the period January 1, 2010 through December  
10 31, 2010, will permit recovery of IGC's total conservation costs.

11 **Q. HAVE YOU PREPARED A SUMMARY OF THE COMPANY'S**  
12 **CONSERVATION PROGRAMS AND THE COSTS ASSOCIATED WITH**  
13 **THESE PROGRAMS?**

14 **A.** Yes. Summaries of IGC's four approved programs are included in Schedule C-  
15 5 of Exhibit MMP-1. Included are the Residential New Construction Program,  
16 the Residential Appliance Replacement Program, the Residential Appliance  
17 Retention Program and the Conservation Education Program.

18 **Q. HAVE YOU PREPARED SCHEDULES THAT INCLUDE THE COMPANY'S**  
19 **CONSERVATION PROGRAM EXPENDITURES FOR THE CURRENT (2009)**  
20 **AND PROJECTED (2010) PERIODS?**

21 **A.** Yes. Schedule C-3, Exhibit MMP-1 provides actual conservation expenses for  
22 the January 2009 through July 2009 period and projected expenses for the  
23 August 2009 through December 2009 period. Projected expenses for the

1 January 2010 through December 2010 period are included in Schedule C-2,  
2 Exhibit MMP-1.

3 **Q. HAVE YOU PREPARED A SCHEDULE THAT INCLUDES THE COMPANY'S**  
4 **CONSERVATION RELATED REVENUES FOR 2009?**

5 A. Yes. Schedule C-3 (page 4 of 5), Exhibit MMP-1, provides actual conservation  
6 revenue for the January 2009 through July 2009 period, and projected  
7 conservation revenues for the August 2009 through December 2009 period.

8 **Q. WHAT IS THE COMPANY'S ESTIMATED TRUE-UP FOR THE PERIOD**  
9 **JANUARY 1, 2009 THROUGH DECEMBER 31, 2009?**

10 A. The Company is under-recovered by \$13,601, as calculated on Schedule C-3,  
11 Page 4, line 13, Exhibit MMP-1. The Company's calculation accounts for the  
12 final audited true-up for the year January 1, 2008 through December 31, 2008,  
13 which was an over-recovery of \$33,917, including interest.

14 **Q. WHAT IS THE TOTAL CONSERVATION COST IGC SEEKS TO RECOVER**  
15 **DURING THE PERIOD JANUARY 1, 2010 THROUGH DECEMBER 31, 2010?**

16 A. As indicated on Schedule C-1, Exhibit MMP-1, IGC seeks to recover \$32,470 in  
17 conservation costs during the referenced period. This amount represents the  
18 projected costs of \$18,869 to be incurred during 2010, plus the estimated true-  
19 up of \$13,601 for calendar year 2009.

20 **Q. WHAT ARE THE COMPANY'S PROPOSED ENERGY CONSERVATION**  
21 **COST RECOVERY FACTORS FOR EACH RATE CLASS FOR THE**  
22 **JANUARY 1010 THROUGH DECEMBER 2010 PERIOD?**

1 A. Schedule C-1, Exhibit MMP-1, provides the calculation of the Company's  
2 proposed ECCR factors for 2010.

3 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

4 A. Yes.

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION****PREPARED DIRECT TESTIMONY****OF****KANDI M. FLOYD**

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

A. My name is Kandi M. Floyd. My business address is Peoples Gas System, 702 North Franklin Street, P.O. Box 2562, Tampa, Florida 33601-2562. I am employed by Peoples Gas System ("Peoples" or the "Company") and am the Manager of State Regulatory.

Q. Please describe your educational and employment background.

A. I have a Bachelor of Arts Degree in Business Administration from Saint Leo College. From 1995 to 1997, I was employed in a series of positions within the regulatory affairs department of Tampa Electric Company. In 1998, I joined Peoples Gas System as a Regulatory Coordinator in the Regulatory and Gas Supply Department. In 2001, I became the Energy Conservation / Regulatory Administrator and in 2003 became the Manager of State Regulatory for Peoples Gas System. In this role, I am responsible for coordinating and overseeing all Energy Conservation Cost Recovery ("ECCR") Clause activities along with various other regulatory activities for Peoples.

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

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A. My testimony addresses Peoples' conservation programs, the expenses that Peoples has incurred, the revenues recovered by Peoples through the ECCR clause from January 2009 through August 2009, and the costs that Peoples seeks to recover through the ECCR clause in 2010.

First, my testimony describes generally the actual and projected expenditures made for the purpose of implementing, promoting and operating Peoples' energy conservation programs for the current period. This information includes the adjusted net true-up amounts associated with those programs for the period January 2008 through December 2008. Next, my testimony addresses the actual costs incurred from January 2009 through August 2009, and revised projections of program costs that Peoples expects to incur from September 2009 through December 2009. In addition, my testimony presents projected conservation program costs for the period January 2010 through December 2010.

Finally, my testimony presents the calculation of the conservation cost recovery adjustment factors to be applied to customers' bills during the period beginning with the first billing cycle for January 2010 and continuing through the last billing cycle for December 2010.

Q. Are you sponsoring any exhibits with your testimony?

A. Yes. I am sponsoring two exhibits produced under my direction and supervision. Exhibit \_\_\_\_ (KMF-1R) contains the conservation cost recovery true-up data for the

1 period January 2008 through December 2008, and Exhibit \_\_\_\_ (KMF-2) contains the  
2 conservation cost recovery true-up data for the period January 2009 through August  
3 2009 as well as re-projected expenses for the period September 2009 through  
4 December 2009. Exhibit \_\_\_\_ (KMF-2) consists of Schedules C-1 through C-5, which  
5 contain information related to the calculation of the ECCR factors to be applied to  
6 customers' bills during the period January 2010 through December 2010.

7  
8 Q. Have you prepared schedules showing the expenditures associated with Peoples'  
9 energy conservation programs for the period January 2008 through December 2008?

10  
11 A. Yes. Actual expenses for the period January 2008 through December 2008 are shown  
12 on Schedule CT-2, page 2, of Exhibit \_\_\_\_ (KMF-1R). Schedule CT-2, page 1  
13 presents a comparison of the actual program costs and true-up amount to the projected  
14 costs and true-up amount for the same period.

15  
16 Q. What are the Company's true-up amounts for the period January 2008 through  
17 December 2008?

18  
19 A. As shown on Schedule CT-1 of Exhibit \_\_\_\_ (KMF-1R), the end-of-period net true-up  
20 for the period is an overrecovery of \$2,770,192 including both principal and interest.  
21 The projected true-up for the period, as approved by Commission Order No. PSC-08-  
22 0785-FOF-GU, was an overrecovery of \$2,921,911 (including interest). Subtracting  
23 the projected true-up overrecovery from the actual overrecovery yields the adjusted  
24 net true-up of \$552,298 underrecovery (including interest).

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

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A. Yes. Summaries of the Company's programs are presented in Schedule C-5 of Exhibit \_\_\_\_ (KMF-2).

6

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Q. Have you prepared schedules required for the calculation of Peoples' proposed conservation adjustment factors to be applied during the billing periods from January 2010 through and including December 2010?

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A. Yes. Schedule C-3 of Exhibit \_\_\_\_ (KMF-2) shows actual expenses for the period January 2009 through August 2009 and projected expenses for the period September 2009 through December 2009.

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Projected expenses for the January 2010 through December 2010 period are shown on Schedule C-2 of Exhibit \_\_\_\_ (KMF-2). The total annual cost projected represents a continuation of Peoples' active expansion of the availability of natural gas throughout Florida. Schedule C-1 shows the calculation of the conservation adjustment factors to be applied to all customers of the Company who are subject to the factors. The estimated true-up amount from Schedule C-3 (Page 4) of Exhibit \_\_\_\_ (KMF-2), an overrecovery, was subtracted from the total of the projected costs for the January 2010 through December 2010 period. The resulting total of \$5,319,817 is the expense to be recovered during calendar year 2010. This total expense was then allocated to the Company's affected rate classes pursuant to the methodology previously approved by

1 the Commission, divided by the expected consumption of each rate class, and then  
2 adjusted for the regulatory assessment fee.

3

4 Schedule C-1 of Exhibit \_\_\_\_ (KMF-2) shows the resulting estimated ECCR revenues  
5 and adjustment factors by rate class for the period January 2010 through December  
6 2010.

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8 Q. Does this conclude your prefiled direct testimony?

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10 A. Yes, it does.

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1. BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2. In Re: Conservation Cost  
Recovery Clause

Docket No. 090004-GU  
Filing Date: April 30, 2009

3. \_\_\_\_\_/

4.

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

6.

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

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

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

13. A. My purpose is to submit the expenses and revenues  
14. associated with the Company's conservation programs  
15. during the twelve month period ending December 31, 2008  
16. and to identify the final true-up amount related to that  
17. period.

18. Q. Have you prepared any exhibits in conjunction with your  
19. testimony?

20. A. Yes, I have prepared and filed together with this testi-  
21. mony this 30th day of April, 2009 Schedules CT-1 through  
22. CT-5 prescribed by the Commission Staff which have  
23. collectively been entitled "Adjusted Net True-up for  
24. twelve months ending December 31, 2008" for identi-  
25. fication

1. Q. What amount did St. Joe Natural Gas spend on conser-  
2. vation programs during the period?

3. A. \$116,975.00

4. Q. What is the final true-up amount associated with this  
5. twelve month period ending December 31, 2008?

6. A. The final true-up amount for December 31, 2008 is  
7. an under-recovery of \$15,554.00.

8. Q. Does this conclude your testimony?

9. A. Yes

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## 1           BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2   In Re:  Conservation Cost        )  
          Recovery Clause         )  
3   \_\_\_\_\_  )  
  Docket No.090004-GU  
  Submitted for Filing  
  September 8, 2009

4  
5           DIRECT TESTIMONY OF DEBBIE STITT ON BEHALF OF  
          ST. JOE NATURAL GAS COMPANY, INC.  
6

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

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

12   Q.   What is the purpose of your testimony?

13   A.   My purpose is to submit the known and projected expenses and  
14       revenues associated with SJNG's conservation programs incurred  
15       in January thru August 2009 and projection costs to be incurred  
16       from September 2009 through December 2009.  It will also include  
17       projected conservation costs for the period January 1, 2010  
18       through December 31, 2010 with a calculation of the conservation  
19       adjustment factors to be applied to the customers' bills during  
20       the January 1, 2010 through December 31, 2010 period.

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

22   A.   Yes, I have prepared and filed to the Commission the 8<sup>th</sup> day of  
23       September 2009 Schedule C-1 prescribed by the Commission Staff  
24       which has collectively been titled Energy Conservation Adjustment  
25       Summary of Cost Recovery Clause Calculation for months January

1 1, 2010 through December 31, 2010 for identification.

2 Q. Is the Company proposing to revise the applicability of its tariff  
3 Energy Conservation Cost Recovery Adjustment Factors based on the  
4 Company's recent rate proceeding?

5 A. Yes. Commission Order No. PSC-08-0436-PAA-GU, issued July 8, 2008,  
6 approved a restructuring of the Company's rate classifications.  
7 Historically, the Company's tariff applied factors to residential,  
8 commercial and large commercial customer classes. The Company's  
9 new tariff includes the following sales service rate schedules:  
10 RS-1, RS-2, RS-3, GS-1, GS-2, GS-3, GS-4, GS-5 and the following  
11 transportation service rate schedules: FTS-1, FTS-2, FTS-3, FTS-4,  
12 and FTS-5. In this proceeding, the Company has proposed energy  
13 conservation factors for 2010 applicable to each respective class  
14 in its recently approved tariff. The schedules filed will display  
15 therms and conservation revenues only for those classes with  
16 existing customers.

17 Q. What Conservation Adjustment Factor does St. Joe Natural Gas  
18 seek approval through its petition for the twelve month period  
19 ending December 31, 2010?

20 A. \$.36761 per therm for RS-1, \$.22721 per therm for RS-2, and  
21 \$.16899 per therm for RS-3, \$0.15146 per therm for GS-1, \$0.07672  
22 per therm for GS-2, and \$0.02969 per therm for FTS-4

23 Q. Does this conclude your testimony?

24 A. Yes.

25

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION****In Re: Conservation Cost Recovery True-Up****Revised Direct Testimony of Jerry H. Melendy, Jr.****On Behalf of****Sebring Gas System, Inc.****Docket No. 090004-GU**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Jerry H. Melendy, Jr. My business address is Sebring Gas  
3 System, Inc., US Highway 27 South, Sebring, FL 33870.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am Vice President of Sebring Gas Company, Inc. (the "Company").

6 **Q. ARE YOU FAMILIAR WITH THE COMPANY'S APPROVED ENERGY  
7 CONSERVATION PROGRAMS AND THE REVENUES AND COSTS  
8 THAT ARE ASSOCIATED WITH THESE PROGRAMS?**

9 A. Yes.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS DOCKET?**

11 A. The purpose of my testimony is to submit the recoverable energy  
12 conservation program expenses incurred during the period January 2008  
13 through December 2008, and to identify the final true-up amount for that  
14 period.

15 **Q. DID THE COMPANY PARTICIPATE IN THE COST RECOVERY  
16 ACTOR PROCEEDING IN DOCKET 080004?**

1 A. Yes. Sebring received authorization from the Commission to offer energy  
2 conservation programs in August 2007. For 2008, Sebring requested that  
3 the Company's initial cost recovery factors approved by the Commission  
4 on August 24, 2007 be continued through 2008 and this was approved in  
5 Order No. PSC-07-0935-FOF-GU issued on November 26, 2007.

6 **Q HAVE YOU PREPARED SUMMARIES OF THE COMPANY'S**  
7 **CONSERVATION PROGRAMS AND THE COSTS ASSOCIATED WITH**  
8 **THEM?**

9 A. Yes. Summaries of the four (4) approved programs for which the  
10 Company incurred recoverable costs during the period January 2008  
11 through December 2008 are included in Schedule CT-6 of Exhibit JHM-1.  
12 The programs are: the Residential New Construction Program, the  
13 Residential Appliance Replacement Program, the Residential Appliance  
14 Retention Program, and the Conservation Education Program.

15 **Q. HAVE YOU PREPARED SCHEDULES WHICH SHOW THE**  
16 **EXPENDITURES ASSOCIATED WITH THE COMPANY'S ENERGY**  
17 **CONSERVATION PROGRAMS FOR THE APPLICABLE PERIOD?**

18 A. Yes. I have prepared and filed with this testimony Exhibit JHM-1  
19 consisting of Schedules CT-1, CT-2 and CT-3. In preparing Schedule CT-  
20 3, page 2 of 3, line 5, Prior Period True-up, the Company used the amount  
21 from the audit report of the 2008 filings since there was no prior period  
22 adjustment shown on Schedule C-3, page 4 of 5, in Docket No. 080004-  
23 GU.



1 Q. **WHAT WAS THE TOTAL COST INCURRED BY THE COMPANY IN**  
2 **CONNECTION WITH THE FOUR (4) PROGRAMS DURING THE**  
3 **TWELVE MONTHS ENDING DECEMBER 2008?**

4 A. As shown in Exhibit JHM-1, Schedule CT-2, page 2, total program costs  
5 were \$6,816.

6 Q. **WHAT IS THE COMPANY'S FINAL TRUE-UP FOR THE TWELVE**  
7 **MONTHS ENDED DECEMBER 2008?**

8 A. An over recovery of \$17,200.

9 Q. **DOES THIS CONCLUDE YOUR TESTIMONY?**

10 A. Yes, it does.

1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2                   **In Re: Energy Conservation Cost Recovery Factors**

3                   **Direct Testimony of Jerry H. Melendy, Jr.**

4                   **On Behalf of**

5                   **Sebring Gas System, Inc.**

6                   **Docket No. 090004-GU**

7                   **September 2009**

8

9   **Q.    PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

10 A.    My name is Jerry H. Melendy, Jr. My business address is Sebring Gas  
11 System, Inc., US Highway 27 South, Sebring, FL 33870.

12 **Q.    BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

13 A.    I am Vice President of Sebring Gas Company, Inc. (the "Company").

14 **Q.    ARE YOU FAMILIAR WITH THE COMPANY'S APPROVED ENERGY**  
15 **CONSERVATION PROGRAMS AND THE REVENUES AND COSTS THAT**  
16 **ARE ASSOCIATED WITH THESE PROGRAMS?**

17 A.    Yes.

18 **Q.    WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS DOCKET?**

19 A.    My testimony will present actual and projected expenditures and revenues  
20 related to promoting and administering the Company's energy conservation  
21 programs in 2009 and 2010. I will provide the adjusted net true-up amount  
22 associated with program administration for the January 2008 through  
23 December 2008 period. Actual program costs are provided for the period

1 January 1, 2009 through July 2009, as well as the costs the Company  
2 expects to incur from September 1, 2009 through December 31, 2009. I will  
3 also indicate the total costs the Company seeks to recover through its  
4 conservation factors during the period January 1, 2010 through December  
5 31, 2010. Finally, I will also propose the energy conservation cost recovery  
6 factors which, when applied to consumer bills during the period January 1,  
7 2010 through December 31, 2010, will permit recovery of the Company's  
8 total conservation costs.

9 **Q. HAVE YOU PREPARED A SUMMARY OF THE COMPANY'S**  
10 **CONSERVATION PROGRAMS AND THE COSTS ASSOCIATED WITH**  
11 **THESE PROGRAMS?**

12 A. Yes. Summaries of the Company's four approved programs are included in  
13 Schedule C-5 of Exhibit JHM-1. Included are the Residential New  
14 Construction Program, the Residential Appliance Replacement Program, the  
15 Residential Appliance Retention Program and the Conservation Education  
16 Program.

17 **Q. HAVE YOU PREPARED SCHEDULES THAT INCLUDE THE COMPANY'S**  
18 **CONSERVATION PROGRAM EXPENDITURES FOR THE CURRENT**  
19 **(2009) AND PROJECTED (2010) PERIODS?**

20 A. Yes. Schedule C-3, Exhibit JHM-1 provides actual conservation expenses for  
21 the January 2009 through July 2009 period and projected expenses for the  
22 August 2009 through December 2009 period. Projected expenses for the

1 January 2010 through December 2010 period are included in Schedule C-2,  
2 Exhibit JHM-1.

3 **Q. HAVE YOU PREPARED A SCHEDULE THAT INCLUDES THE**  
4 **COMPANY'S CONSERVATION RELATED REVENUES FOR 2009?**

5 A. Yes. Schedule C-3 (page 4 of 5), Exhibit JHM-1, provides actual  
6 conservation revenue for the January 2009 through July 2009 period, and  
7 projected conservation revenues for the August 2009 through December  
8 2009 period.

9 **Q. WHAT IS THE COMPANY'S ESTIMATED TRUE-UP FOR THE PERIOD**  
10 **JANUARY 1, 2009 THROUGH DECEMBER 31, 2009?**

11 A. The Company is under-recovered by \$6,680, as calculated on Schedule C-3,  
12 Page 4, line 13, Exhibit JHM-1. The Company's calculation accounts for the  
13 final audited true-up for the year January 1, 2008 through December 31,  
14 2008, which was an over-recovery of \$27,820, including interest.

15 **Q. WHAT IS THE TOTAL COST THE COMPANY SEEKS TO RECOVER**  
16 **DURING THE PERIOD JANUARY 1, 2010 THROUGH DECEMBER 31,**  
17 **2010?**

18 A. As indicated on Schedule C-1, Exhibit JHM-1, the Company seeks to recover  
19 \$26,799 during the referenced period. This amount represents the projected  
20 costs of \$20,119 to be incurred during 2010, plus the estimated true-up of  
21 \$6,680 for calendar year 2009.

1 Q. WHAT ARE THE COMPANY'S PROPOSED ENERGY CONSERVATION  
2 COST RECOVERY FACTORS FOR EACH RATE CLASS FOR THE  
3 JANUARY 1010 THROUGH DECEMBER 2010 PERIOD?

4 A. Schedule C-1, Exhibit JHM-1, provides the calculation of the Company's  
5 proposed ECCR factors for 2010.

6 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

7 A. Yes.

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DIRECT TESTIMONY OF KATHY L. WELCH

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

A. My name is Kathy L. Welch and my business address is 3625 N.W. 82nd Ave., Suite 400, Miami, Florida 33166.

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

A. I am employed by the Florida Public Service Commission as a Public Utilities Supervisor in the Division of Regulatory Compliance.

**Q. How long have you been employed by the Commission?**

A. I have been employed by the Florida Public Service Commission since June 1979.

**Q. Briefly review your educational and professional background.**

A. I have a Bachelor of Business Administration degree with a major in accounting from Florida Atlantic University and a Masters of Adult Education and Human Resource Development from Florida International University. I have a Certified Public Manager certificate from Florida State University. I am also a Certified Public Accountant licensed in the State of Florida, and I am a member of the American and Florida Institutes of Certified Public Accountants. I was hired as a Public Utilities Analyst I by the Florida Public Service Commission in June of 1979. I was promoted to Public Utilities Supervisor on June 1, 2001.

**Q. Please describe your current responsibilities.**

A. Currently, I am a Public Utilities Supervisor with the responsibilities of administering the District Office and reviewing work load and allocating resources to

1 complete field work and issue audit reports when due. I also supervise, plan, and conduct  
2 utility audits of manual and automated accounting systems for historical and forecasted  
3 data.

4  
5 **Q. Have you presented testimony before this Commission?**

6 **A.** Yes. I have testified in several cases before the Florida Public Service  
7 Commission. Exhibit KLW-1 lists these cases.

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

10 **A.** The purpose of my testimony is to sponsor the staff audit report of Florida City  
11 Gas which addresses the Utility's application for conservation recovery. We issued an  
12 audit report in this docket for the 2008 historical test year. This audit report is filed with  
13 my testimony and is identified as Exhibit KLW-2.

14  
15 **Q. Was this audit prepared by you or under your direction?**

16 **A.** Yes, it was prepared by me.  
17

18 **Q. Please describe the work you performed in this audit.**

19 **A.** I performed the following procedures:

- 20 1. I prepared a trial balance using the general ledger and reconciled all conservation  
21 accounts to the filing.
- 22 2. I compared the beginning true-up provision to the last order and workpapers.
- 23 3. I prepared a recalculation using the filing and Commission approved interest rates.
- 24 4. Therms from the statistics report were multiplied by the ordered rates and compared to  
25 the ledger and filing.

- 1 5. Some bills were selected and recalculated to determine that the tariff rates were used.
- 2 6. I selected a sample of the vouchers recorded in the general ledger and traced them to
- 3 source documentation.
- 4 7. I verified that the incentives paid by voucher met the program guidelines.
- 5 8. I reviewed contracts with builders to determine if the contracts agreed with the program
- 6 guidelines.
- 7 9. I compared the payroll file to the file from the last audit to determine if new employees
- 8 were added.

9

10 **Q. Please review the audit finding in this audit report, KLV-2, which addresses**

11 **the 2008 Florida City Gas Conservation filing.**

12 **A.** In November 2008, Florida City Gas increased its conservation costs by \$240,532

13 for 2008. The increase is composed of forty percent of the company's postage to mail the

14 bills, billing services, billing insert expenses, and office supplies, and one hundred percent

15 of the legal costs to file the conservation filing.

16 When the audit report was written, I believed that postage, billing services to

17 prepare the bills, printing and design of the billing inserts, office supplies and legal costs

18 were all items that were in base rates during the last rate case. To include these costs in

19 conservation in 2008 would duplicate costs that were allowed in base rates. This results

20 in recovery of the costs both through the conservation clause and base rates.

21 In addition to these costs already being included in base rates, the supplies

22 included in the first Office Supplies category as presented by the company were for

23 acetylene, oxygen, and water for the office, and door hangers that were unrelated to

24 conservation. The costs in the company's second Office Supplies category were for

25 Florida employees and included some expenses incurred by the employees charged to



1 conservation. However, I could not determine if any of these expenses were new or if  
2 they were also included in base rates.

3 After receiving the utility's response to the audit report, I performed an extensive  
4 review of all conservation audits back to 2001 and the last rate case filing. I determined  
5 that the cost of the bill inserts of \$16,152 should be allowed because some printing of bill  
6 inserts may have been done by a marketing firm that was charged to conservation in the  
7 year of the rate case. Since we did not have all the invoices for this vendor in our  
8 conservation audit workpapers, I could not determine if these costs really caused double  
9 recovery. Therefore, I agree that \$16,152 of the \$240,532 should be allowed.

10 I have also reviewed the second supplemental response to the audit filed by  
11 Florida City Gas on September 3, 2009. In this response the utility determined that they  
12 are currently performing a service that was not performed in the test year of the rate case  
13 to the same extent it is now. During the rate case test year, the majority of the incentives  
14 paid were recorded as credits on the merchandise sales receipts for the non-regulated  
15 merchandising and jobbing business run by Florida City Gas. Since that time, the  
16 merchandising business has been discontinued. The incentive payments were recorded  
17 only through an entry to the sales ledger, but now a paper check is issued for each  
18 incentive. Therefore, the new costs of processing and paying the incentive payments by  
19 check are incremental and should be allowed. However, the utility did not provide  
20 adequate documentation for the costs it determined that relate to this additional service.

21 The utility estimated this new service cost \$109,468 instead of the \$240,532  
22 originally requested. The \$109,468 includes the \$16,152 for the bill inserts previously  
23 mentioned. It also includes \$821 for postage to mail the incentives, which we agree  
24 would be incremental.

25

1           However, the \$109,468 also included one hour of labor at the rate of \$37.08 per  
2 hour to process each check. This amounted to \$72,491 for the 1,955 incentive checks.  
3 Although the utility may be able to justify that it may take the utility an hour to process,  
4 this does not seem like a reasonable amount of time to verify that the customer has service  
5 with the utility, review the invoice to determine if it meets the program guidelines, and  
6 issue and mail a check. In addition, utility representatives have realized that this process  
7 is burdensome and have obtained quotes on using an outside vendor to process these  
8 checks. I believe these quotes show that using an outside vendor would result in a  
9 substantial cost savings.

10           The utility also included \$20,003 for supplies in the \$109,468. This amount  
11 relates to the second category of Office Supplies discussed previously. These costs were  
12 for Florida employees. The check processing is done mostly in Atlanta. Therefore, the  
13 costs are probably not related to the processing of the checks which is the only service the  
14 utility has shown to be incremental. There were also credits to Office Supplies which the  
15 utility did not take into account in its second response to the audit. The Office Supplies  
16 were also allocated at a forty percent rate which is the percent of the billing insert related  
17 to conservation. This percent has no relationship to the preparation of incentive checks  
18 that we agree is incremental. I do not believe the \$20,003 should be allowed.

19           I have also reviewed Schedule C-3, page 4 of 5, filed with the Commission on  
20 September 11, 2009. In this filing, the utility used a beginning (January 1, 2009) true-up  
21 balance of \$954,338. If the utility had taken out the \$240,532 it originally included and  
22 put in the \$109,468 it requested in its second supplemental response to the audit report,  
23 the beginning true-up with the interest adjustment would be \$971,074, not the \$954,338  
24 used. Therefore the September 11 filing does not reflect the utility's response to the audit  
25 report.

1           Based on the utility's response to the audit, I believe the appropriate beginning  
2 period true up is \$878,445. This was derived using the \$1,102,370 from the May 2009  
3 filing less the audit finding of \$240,532, plus the bill inserts cost of \$16,152, the  
4 incremental postage of \$851, less interest of \$396. At this time, the utility has not  
5 adequately supported the reasonable cost for the payroll or office supplies related to the  
6 incremental cost of processing the checks.

7

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

9 **A.     Yes.**

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1                   BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2                   REBUTTAL TESTIMONY OF CAROLYN BERMUDEZ

3                   ON BEHALF OF

4                   FLORIDA CITY GAS

5                   DOCKET NO. 090004-GU

6                   October 6, 2009

7

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

10

11 A.    My name is Carolyn Bermudez and my business address is 955 East 25th Street, Hialeah,  
12        Florida 33013-3498. I am employed by Florida City Gas as Director Strategic Business  
13        and Financial Planning.

14

15 **Q.    Are you familiar with the energy conservation programs of Florida City Gas?**

16

17 A.    Yes, I am.

18

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

21

22 A.    Yes, I am.

23 **Q.    Have you previously filed testimony in this proceeding?**

1 Yes. I submitted Direct Testimony and Exhibit CB-1 on May 1,2009, regarding the true up  
2 for calendar year 2008, as well as Direct Testimony and Exhibit CB-2 on September 11,  
3 2009.

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

6  
7 A. To respond to the direct testimony offered by staff member Kathy Welch on September  
8 23, 2009.

9  
10 **Q. Witness Welch has indicated that Florida City Gas's requested increase of \$240,532**  
11 **for 2008 included duplicate costs that were allowed in base rates in the Company's**  
12 **last rate case. Can you explain the rationale upon which the Company based its**  
13 **decision to include this amount in its initial filing?**

14 A. The \$240,532 included in the initial filing represents expenses associated with printing and  
15 design of billing inserts which includes ECCR information regarding rebates available to  
16 customers through the Energy Conservation Programs; as a result, the Company  
17 included costs for the printing, production, mailing, postage, and office supplies  
18 associated with these bill inserts for recovery through the ECCR Clause.

19  
20 **Q. Witness Welch also expressed concern that supplies included in the Office**  
21 **Supplies category were unrelated to conservation. How has the Company**  
22 **responded to this concern?**

23 A. The Company has reviewed every line item included in the office supplies category and  
24 removed all items unrelated to ECCR. As a result of this review, the Company discovered  
25 not all expenses associated with the processing of ECCR rebates were included in its

1 original analysis. The office supplies account does not include expenses for copier ink  
2 used for printing. These expenses are embedded in the monthly lease charges for the  
3 copiers. In addition to the office supplies expenses mentioned above, the Company  
4 should be allowed to recover a portion of the monthly lease expense. To determine the  
5 appropriate level of office supplies and monthly copier lease expense recoverable through  
6 ECCR, the Company calculated the percentage of employees charged to conservation  
7 compared to the total office employees using the copiers and supplies. Included is the  
8 revised office supplies calculation.

9  
10 **Q. Witness Welch further questioned the Company's revised Office Supplies category,**  
11 **indicating that it was unclear whether these expenses were included in base rates.**  
12 **Can you explain how the Company determined the costs in the Office Supplies**  
13 **category that should be assigned to the Conservation Clause?**

14 **A.** The audit report categorized office supplies into three categories: (1) office supplies that  
15 included items like acetylene, oxygen, water for office supplies and door hangers; (2)  
16 Office supplies which included some expenses incurred by the employees charged to  
17 conservation and (3) credit line item for the offset to supplies. The office supplies  
18 expenses included in the Company supplemental audit response dated September 3,  
19 2009 only included category (2) offices supplies which was the only line item identified  
20 during the audit that was applicable to ECCR.

21  
22 **Q. Has Witness Welch revised any of her initial audit findings?**

23 **A.** Yes. In her direct testimony, she now agrees that \$16,152 of the initially requested  
24 amount of \$240,532, which includes amounts associated with conservation-related bill  
25 inserts, should be allowed.

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**Q. Has Witness Welch acknowledged any further changes to the findings in her audit report?**

**A.** Yes. Based on the Company's responses to staff data requests, Witness Welch indicates in her testimony that she agrees that the new costs of processing and paying the incentive payments by check are incremental and should be allowed.

**Q. Did the Company offer a revised request for conservation costs for 2008 based upon Witness Welch's findings?**

**A.** Yes. Based upon Ms. Welch's findings, the Company revisited and revised its analysis of costs for 2008 in an effort to address the concerns identified. As a result, the Company revised its request for incremental conservation costs for 2008 from \$240,532 to \$109,468, as set forth in my direct testimony filed on September 11, 2009. The revised amount reflects the Company's removal of the \$240,532 questioned by Witness Welch and inclusion of \$109,468 associated with manually processing rebate checks.

**Q. Does Witness Welch agree that the entire \$109,468 that should be recovered through the Clause?**

**A.** No. While Witness Welch agrees that the \$821 associated with postage to mail the incentives should be allowed as an incremental cost, as well as the \$16,152 associated with printing the bill inserts, she has questioned \$72,491 in costs associated with the labor required to process the checks, as well as the \$20,003 in the Office Supplies category.

**Q. Do you agree that the \$72,491 for labor associated with processing the checks should be disallowed?**

**A.** No.

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**Q. Please explain why these costs should be allowed?**

**A.** The Florida City Gas billing system, which was used to apply ECP rebates directly to customer's billing accounts as credits to the jobbing and merchandising business was eliminated after the acquisition by AGL Resources as the Company exited the merchandising function. The new billing system does not have the functionality to apply rebate credits to customer accounts. As a result, all rebate incentive payments are currently paid by check. The current rebate payment method is a manual process which requires that, for each rebate issued, all documentation be reviewed and verified, the customer account status checked, a check-request be completed and submitted, the payment be approved for processing, each payment recipient be set up as a new vendor in our accounts payable system, a voucher request issued, reviewed and approved, a check printed and finally mailed.

Staff Witness Welch agrees on page 4 lines 18 through 20 of her testimony that the new costs of processing and paying the incentive payments by check are incremental and should be allowed. However, Staff has concerns regarding the cost per check and the Company's documentation for the costs. The Company has provided an analysis to Staff detailing the time and labor costs to process the rebate checks and believes that the total cost of \$72,491 is reasonable for recovery.

**Q. Has the Company considered other alternatives for processing rebates?**

**A.** Yes. The Company is exploring other options to streamline the process and lower costs, such as the use of an outside vendor to perform this function.



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**Q. With regard to Witness Welch's assessment of the costs included in the Office Supplies category, do you agree that these costs were not properly allocated to conservation?**

**A.** No.

**Q. Please explain how the Company determined that the \$20,003 in office supplies was a proper allocation for recovery through the Conservation Clause.**

**A.** The Company processed 1,955 rebate payments in 2008 which includes printing account information, making photo copies of proof of appliance purchases and the printing of check requests for all approved rebate payments. Since all office supplies are recorded in one account, an allocation factor was applied to total office supplies account to determine the portion applicable to ECCR.

**Q. Witness Welch also indicates concern that the beginning true-up amount of \$954,338 used by the Company in its September 2009 filing does not match with removal of the \$240,532 in costs the Company originally requested and substitution of the revised amount of \$109,468, which would amount to \$971,074. Can you explain why the beginning true up amount for 2009 differs from the \$971,074 Witness Welch suggests is appropriate?**

**A.** The beginning true up amount of \$954,338 for 2009 differs from the \$971,074 Witness Welch calculated because in addition to the \$240,532 which covered the period January 2008 through November 2008, the Company also removed \$14,973 in similar expenses

1 that was recorded in December 2008 and the correlating interest. See attached Pro  
2 Forma Revised 2008 ECP True up Schedule CT-3, Page 4 of 5.

3  
4  
5 **Q. During the annual ECP Audit of 2008 expenses, the FPSC Auditors found that ECP**  
6 **expenses should be reduced by \$240,531.87. What adjustments should be made to**  
7 **Florida City Gas' conservation expenses for the period January 2008 through**  
8 **December 2008?**

9  
10 A. The Company will reduce the 2008 ECP expenses by \$240,531.87 and include \$109,468  
11 in incremental ECCR expenses for the period January 2008 through December 2008; this  
12 amount includes the cost to process ECCR incentive rebate checks, postage to mail  
13 rebate checks, office supply expenses for processing rebate checks, and bill inserts  
14 production and printing expenses.

15  
16 **Q. If the Company is allowed recovery of the \$109,468, what will be the 2008 end of**  
17 **year true up for ECCR?**

18  
19 A. If the Company is allowed recovery of the \$109,468, the 2008 end of year true up for  
20 ECCR would be \$954,338 (See Pro Forma Revised 2008 ECP True up Schedules  
21 attached as Exhibit No. CB-3).

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

23  
24 A. Yes, it does.

1           **MS. FLEMING:** As previously stated, there are  
2 proposed stipulations on all issues. These stipulations  
3 can be found on Pages 6 through 9 of the Prehearing  
4 Order.

5           **CHAIRMAN CARTER:** Commissioners, any --

6           **MS. FLEMING:** And staff would recommend that  
7 the Commission approve these stipulations.

8           **CHAIRMAN CARTER:** Commissioners, any  
9 questions?

10           Commissioner Skop.

11           **COMMISSIONER SKOP:** Thank you, Mr. Chair. If  
12 there are no further questions, I'd move to approve the  
13 proposed stipulations 1 through 5 in the 04 docket.

14           **COMMISSIONER EDGAR:** Second.

15           **CHAIRMAN CARTER:** It's been moved and  
16 properly, it's been moved and properly seconded on the  
17 04 docket. Commissioners, any questions? Any concerns?  
18 Any debate? Hearing none, it's been moved and properly  
19 seconded. All in favor, let it be known by the sign of  
20 aye.

21           (Simultaneous vote.)

22           All those opposed, like sign. Show it done.  
23 Thank you.

24           (Docket concluded.)  
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STATE OF FLORIDA        )  
                                  :  
COUNTY OF LEON        )

CERTIFICATE OF REPORTER

I, LINDA BOLES, RPR, CRR, Official Commission Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

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

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

DATED THIS 12<sup>th</sup> day of November, 2009.

Linda Boles  
LINDA BOLES, RPR, CRR  
FPSC Official Commission Reporter  
(850) 413-6734