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June 1, 2015

E-PORTAL

Ms. Carlotta Stauffer, Clerk
Office of the Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: **Docket No. 150089-EG - Petition for approval of demand-side management plan by Florida Public Utilities Company.**

Dear Ms. Stauffer:

Attached for filing, please find Florida Public Utilities Company's responses to Staff's Second Data Requests in the referenced docket.

As always, please don't hesitate to let me know if you have any questions whatsoever.

Sincerely,

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Cc:// Leslie Ames, Esquire (Office of General Counsel)

RE: Docket No. 150089-EG- Petition for approval of demand-side management plan by Florida Public Utilities Company.

Florida Public Utilities Company's Responses to Commission Staff's Second Data Requests, issued on May 11, 2015, in the above-referenced docket are as follows:

1. Regarding the utility's response to question no. 2, an analysis of the Program Administrative & Equipment Costs (Nominal), provided on page 4, indicates that Common Expenses account for approximately 74% of the total costs, while the incentives for the Residential and Commercial classes account for approximately 20% and 6%, respectively, of the total costs.

a. Please explain, with the greatest specificity possible, why the incentives for the Residential class accounts for such a small percentage of the total costs.

b. Please explain, with the greatest specificity possible, why the incentives for the Commercial class accounts for such a small percentage of the total costs.

Response:

FPUC notes that the percentages discussed in this question are based on the Total Administrative & Equipment Costs. The incentives which represent customer rebates are included in the Other costs in the table for question No. 2. The tables for Question No. 1 show the rebate amounts directly.

a. The two biggest reasons why the incentives for the Residential class are such a small percentage of the total costs are:

1) The Residential Energy Survey has the largest cost of any of the programs and there are no rebates associated with it.

2) The Common costs are a large portion of the total costs. Due to its relatively small size, the Company often engages in opportunities that benefit multiple conservation programs in order to efficiently use program funds.

b. The two biggest reasons why the incentives for the Commercial class are such a small percentage of the total costs are:

1) The projected costs of the Commercial programs are much smaller than the Residential programs (approximately 33 percent of the Residential programs).
2) The Common costs are a large portion of the total costs. As shown in the table in response to question No. 1, the percentage of incentives for the Commercial programs is projected to be 45 percent, while the percentage of incentives for the Residential programs are projected to be only 12 percent due to the large cost of the Residential Energy Survey. FPUC notes that historically FPUC's Residential programs have been more successful than FPUC's Commercial programs. While there is no empirical evidence, there likely is a correlation between the higher administrative expenses for the Residential programs and their relatively higher success. Furthermore, the main purpose of the Residential Energy Survey program is to promote other Residential programs which it appears to be doing successfully.

2. Regarding the utility's response to question no. 2, an analysis of the Payroll & Benefits costs indicates that Common Expenses accounts for approximately 85% of the total costs shown. Please provide a breakdown of the major expense categories (and the associated expense amounts) accounting for at least 10% of the Common Expenses associated with Payroll & Benefits.

Response:

Questions 2 through 5 are similar in nature and in order to provide a better understanding of how FPUC developed the projections of the program costs, FPUC is providing the following detailed description of the process used to develop the projected program costs. First in developing the projection process, FPUC tried to make it as simple and low cost as possible and commensurate with available data and small size of FPUC. FPUC started with Table 3-10 in FPUC's 2014 Annual Conservation Report. Table 3-10 was developed by taking the actual 2014 cost for each program and adding 10 percent of the 2014 Common cost allocated to the individual programs based on the 2014 actual energy savings of the programs. The 10 percent of Common cost is an assumed allocation of administrative and general costs to each program. The 2014 per installation cost is the 2014 total program cost divided by the 2014 number of participants in each program. The 2014 per installation cost is comprised of the FPUC non-recurring cost and the rebate if applicable for the program. For the 2015 DSM plan, FPUC took the 2014 non-recurring cost and the rebate costs and made adjustments to them as and if appropriate due to changes in the programs or new programs for the 2015 DSM plan. The non-recurring costs for the 2015 DSM plan were escalated at the 2.3 percent general escalation rate. The non-recurring costs plus the rebate per participant were multiplied by the projected participation rates to get projected annual program costs. Common costs were simply projected at 90 percent of the 2014 actual Common costs escalated at the general escalation rate of 2.3 percent.

As shown above, FPUC did not directly develop projected program costs in a bottom up approach from the cost categories shown in the Staff's First Data Request Question No. 2. However, in order to be as responsive as possible to the Question No. 2, FPUC merely allocated the projected program annual non-recurring costs by the percentage of each category's actual 2014 cost for each program with rebates added to the Other category. Projected Common costs were allocated in the same manner.

Based on the above simple methodology for projecting program costs, the responses for Questions 2 through 5 will be based on the 2014 actual Common costs since all projections are merely allocations and escalation of those Common costs.

The major expense categories (and the associated expense amounts) accounting for at least 10% of the Common Expenses associated with Payroll & Benefits are as follows:

- Salaries – $178,014.23 (70.82%)
- Benefits – $43,684.10 (17.38%)

3. Regarding the utility's response to question no. 2, an analysis of the Materials & Supplies costs indicates that Common Expenses accounts for approximately 85% of the total costs shown. Please provide a breakdown of the major expense categories (and the associated expense amounts) accounting for at least 10% of the Common Expenses associated with Materials & Supplies.

Response:

The major expense categories (and the associated expense amounts) accounting for at least 10% of the Common Expenses associated with Materials & Supplies are as follows:

- Storage – $1,528.26 (30.35%)
- Office Supplies or Equipment – $2899.33 (57.58%)

4. Regarding the utility's response to question no. 2, an analysis of the Advertising costs indicates that Common Expenses accounts for approximately 31% of the total costs shown. Please provide a breakdown of the major expense categories (and the associated expense amounts) accounting for at least 10% of the Common Expenses associated with Advertising.

Response:

The major expense categories (and the associated expense amounts) accounting for at least 10% of the Common Expenses associated with Advertising are as follows:

- Printing – $6,185.88 (26.59%)
- Production – $14,013.15 (60.24%)
- Other Communication Expenses - $3,062.94 (13.17%)

5. Regarding the utility's response to question no. 2, an analysis of the Other costs indicates that Common Expenses accounts for approximately 54% of the total costs shown. Please provide a breakdown of the major expense categories (and the associated expense amounts) accounting for at least 10% of the Common Expenses associated with Other Costs.

Response:

The major expense categories (and the associated expense amounts) accounting for at least 10% of the Common Expenses associated with Other are as follows:

- Legal - $8,808.60 (23.19%)
- Memberships & Subscriptions - $28,883.42 (76.06%)

6. In response to question no. 9, the utility has projected the following approximate growth rates in ECCR expenditures (when compared to the immediately preceding year) for the 2016 – 2024:

Calculation of FPUC-Assumed Growth Rates in ECCR Expenditures		
Year	**ECCR Expenditures**	**Calculated Growth Rate From Immediately Prior Year**
2015	$508,150	
2016	$584,190	15%
2017	$669,110	15%
2018	$757,600	13%
2019	$844,630	11%
2020	$955,470	13%
2021	$1,064,250	11%
2022	$1,174,890	10%
2023	$1,294,560	10%
2024	$1,415,400	9%

However, the utility has assumed a participation growth rate of virtually zero for the years 2015 to 2024. Please explain the utility's rationale for assuming an essentially flat growth rate in participation for that period, while assuming a double-digit growth rate in ECCR expenses for that same period.

Response:

As provided on May 26th, 2015 the response to question No. 9, incorrectly included lost revenues in the projection of the ECCR. A revision of the above table with the corrected ECCR's is shown below. FPUC believes that the annual percent increases are now in line with the Staff's expectations.

Calculation of FPUC-Assumed Growth Rates in ECCR Expenditures		
Year	**ECCR Expenditures**	**Calculated Growth Rate From Immediately Prior Year**
2015	$474,100	
2016	$480,980	1%
2017	$493,100	3%
2018	$505,490	3%
2019	$518,170	3%
2020	$545,770	5%
2021	$557,550	2%
2022	$569,580	2%
2023	$581,910	2%
2024	$594,520	2%

7. The following questions relate to the utility's advertising efforts.

a. How does FPUC advertise each of its conservation programs?

b. Does FPUC anticipate any changes in its advertising efforts for its conservation programs given the reduction in approved goals?

c. If the response to (b) is affirmative, please explain the anticipated changes in advertising.

Response:

a. The Company advertises each of its conservation programs in multiple ways. In 2014 and in prior years, the Company's residential conservation programs (Residential Energy Survey and Residential Heating and Cooling Upgrade programs) were primarily advertised through television, radio and online ads as well print ads (newspapers and bill inserts). In 2014 and in prior years, the Company's commercial conservation programs were primarily advertised through more commercial-focused mediums like area Chambers of Commerce, special events, commercial contractors performing program related upgrades and other professional organizations.

b. Yes. Given the reduction in approved goals, the Company has made and will continue to make changes to its advertising efforts for its conservation programs.

c. At the beginning of 2015, given the reduction in approved goals, the Company reduced the advertising of its residential conservation programs to bill inserts and online ads, eliminating the more costly advertising mediums of television, radio and newspaper. The Company has not changed the way it currently advertises its commercial conservation programs, but has reduced the frequency of advertising for those programs. The Company will continue to evaluate its advertising methods to help reduce the advertising costs of its conservation programs.

8. The following questions pertain to the employees associated with the utility's conservation programs.

a. How many employees (in terms of full time equivalents) are dedicated to the utility's conservation programs?

b. Please provide the titles and associated duties for employee positions dedicated to the utility's conservation programs.

Response:

a. In terms of full time equivalents, 4 employees are dedicated to the Utility's conservation programs.

b. Employees fully dedicated to the Company's energy conservation programs:

- Energy Conservation Representatives – Promote energy conservation programs, perform energy audits for customers, verify appliance upgrades for rebates, participate in conservation-related events and speaking engagements, follow up on rebate status, assess and answer customers' questions about rebate eligibility, etc.

Employees partially dedicated to the Company's energy conservation programs:

- Energy Conservation Coordinator – Verify and process all conservation rebate applications, maintain all conservation incentive records, etc.
- Marketing Manager – Develop marketing strategies to effectively promote the Company's conservation programs, manage energy conservation budget and control expenses.
- Marketing Coordinator & Marketing Administrative Support – coordinate conservation events and advertising requests, maintain conservation advertising records, process all conservation related invoices, etc.

- Director of Regulatory & Governmental Affairs and Regulatory Analyst – Provide conservation program related reporting to the Florida Public Service Commission and other entities.
- AVP, Marketing & Energy Logistics, Business Process Manager and Process Admin Manager – Supervise the administration and promotion of energy conservation programs, develop strategy for energy conservation advertising, manage energy conservation program budgets and control expenses, work with regulatory department to establish energy conservation program projections.

9. Please discuss the company's methodology used to estimate administrative costs.

Response:

FPUC estimated administrative costs by taking 10 percent of the actual Common Conservation Expenses for 2014 and allocating them among FPUC's DSM programs based on the actual energy saved in 2014 by the DSM programs. This administrative cost allocation along with the actual FPUC program cost excluding rebates was escalated by the assumed escalation rate of 2.3 percent annually.

10. Please list all items (i.e. salaries, computer programs, etc.) that are included in administrative costs.

Response:

Since FPUC allocates 10 percent of its Common Conservation Expenses as its administrative costs for each DSM program, the items included in administrative costs would be those in the 2014 actual Common Conservation Expenses as follows:

- **Labor/Payroll** – including Salaries, Overtime, Temporary Service, Employee Benefits and Payroll Taxes.
- **Outside Services** – including Legal, Sub Contracting and Consulting Expenses.
- **Materials and Supplies** – including Office Supplies and Equipment Expenses.
- **Employee Related Expenses** – including Meals, Lodging, Seminars & Training, Uniforms, Cell Phones and Vehicle Fuel Expenses.
- **Memberships & Subscriptions** – including Energy Auditing Software Licenses and Industry Association Memberships.
- **Advertising** – including Online and Print Advertising as well as Production.

11. Please discuss any efforts the company has made to reduce administrative costs associated with its DSM programs.

Response:

Please see response to Request No. 20 in Staff's First Data Request.

12. Please complete the table below summarizing actual and projected administrative costs for the company's DSM plan.

Response:

Year	Administrative Costs (Nominal $)	
	Actual	Projected
2005	$14,952	
2006	$14,218	
2007	$23,348	
2008	$27,063	
2009	$34,559	
2010	$38,802	
2011	$67,858	
2012	$33,226	
2013	$39,795	
2014	$38,020	
2015		$38,894
2016		$39,789
2017		$40,704
2018		$41,640
2019		$42,598
2020		$43578
2021		$44,580
2022		$45,605
2023		$46,654
2024		$47,727