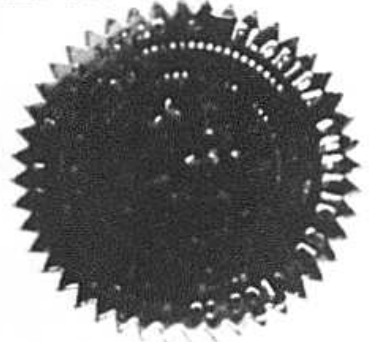


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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In the Matter of
Energy Conservation Cost
Recovery Clause.

:
: DOCKET NO. 950002-EU
:
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PROCEEDINGS:

HEARING

BEFORE:

COMMISSIONER J. TERRY DEASON
COMMISSIONER JULIA L. JOHNSON
COMMISSIONER DIANE K. KIESLING

DATE:

Wednesday, March 8, 1995

TIME:

Commenced at 4:00 p.m.
Concluded at 5:00 p.m.

PLACE:

Fletcher Building
FPSC Hearing Room 106
101 East Gaines Street
Tallahassee, Florida

REPORTED BY:

ROWENA NASH HACKNEY
Official Commission Reporter

DOCUMENT NUMBER - DATE
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24

25

1 APPEARANCES CONTINUED:

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I N D E X

MISCELLANEOUS

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P R O C E E D I N G S

(Hearing convened at 4:00 p.m.)

COMMISSIONER DEASON: Call the hearing to order. We'll begin by having the notice read.

MS. BROWN: By notice issued February 10th, 1995, this time and place was set for a hearing in the following dockets: Docket 950001-EI, fuel and purchased power cost recovery clause; Docket 950002-EG, energy conservation cost recovery cause; Docket 950003-GU, purchased gas cost recovery clause; and Docket 950007-EI, environmental cost recovery clause.

The purpose of the hearing is described in the notice.

COMMISSIONER DEASON: We'll take appearances.

MR. CHILDS: Commissioners, my name is Matthew Childs of the firm of Steel, Hector and Davis. I'm appearing on behalf of Florida Power and Light Company in the 01 and 07 dockets.

MR. BEASLEY: Commissioners, I'm James D. Beasley of the law firm of Macfarlane, Ausley, Ferguson and McMullen, representing Tampa Electric Company in the 01 and 02 dockets.

MR. KAUFMANN: Commissioners, my name is Michael Kaufmann, of the firm of Brickfield, Burchette and Ritts, out of Washington, D.C., representing Florida

1 Steel in the 01 docket.

2 MS. RUSH: Commissioners, my name is Marian
3 Rush, I'm with the firm of Salem, Saxon and Neilsen.
4 I'm here with Mr. Kaufmann representing Florida Steel in
5 the 01 docket.

6 MR. HOWE: Commissioners, I'm Roger Howe with
7 the Office of Public Counsel, appearing on behalf of the
8 Citizens of the state of Florida in the 01, 02, 03 and
9 07 dockets.

10 MR. McWHIRTER: Mr. Chairman, my name is John
11 McWhirter of the firm of McWhirter Reeves, appearing on
12 behalf of the Florida Industrial Power Users Group in
13 the 1, 2, 3 and 7 dockets.

14 MR. GUYTON: Commissioners, I'm Charlie
15 Guyton, law firm of Steel, Hector and Davis, appearing
16 on behalf of Florida Power and Light in the conservation
17 cost recovery docket 02.

18 MS. BROWN: Martha Carter Brown and Vicki D.
19 Johnson representing the Florida Public Service
20 Commission Staff in the 01 and 07.

21 MS. ERSTLING: Sheila Erstling and Beth
22 Culpepper representing Staff in the 02 and 03 dockets.

23 MR. PRUITT: I'm Prentice Pruitt, counselor to
24 the Commissioners.

25 COMMISSIONER DEASON: Okay. Very well.

1 MS. BROWN: Commissioner, may I mention
2 something before we get started?

3 COMMISSIONER DEASON: Well, I have something
4 to do with the appearances, something to say, and then
5 we can get on --

6 MS. BROWN: Something to do with appearances?

7 COMMISSIONER DEASON: Yes. Yesterday, Jeffry
8 Stone -- is that what you wanted to just mention? He
9 called my office and spoke with Charles. Apparently, he
10 has no issues or Gulf Power has no issues, and it was
11 his desire to be excused from today's proceedings and I
12 granted him that. And he did obviously participate in
13 the prehearing process and went through that; and since
14 there are no contested issues, there would be no need
15 for him to appear here today.

16 MS. BROWN: Yes. I had one other matter on
17 appearances, Commissioner Deason.

18 Ms. Rush is sponsoring Mr. Kaufmann in this
19 proceeding. She filed notice of sponsorship this
20 morning.

21 COMMISSIONER DEASON: Yes. I reviewed that,
22 that filing; and without objection, that sponsorship
23 will be recognized and we'd welcome Mr. Kaufmann to
24 participate with us today.

25 MR. KAUFMANN: Thank you.

1 COMMISSIONER DEASON: Okay. We are now in the
2 02 docket.

3 MS. ERSTLING: I believe that Florida Power
4 Corp is now here for appearances.

5 COMMISSIONER DEASON: Mr. McGee, do you wish
6 to make an appearance in the 02 docket?

7 MR. MCGEE: Thank you, Commissioner. It's
8 James McGee, Post Office Box 14042, St. Petersburg 33733
9 on behalf of Florida Power Corporation in the 02 docket.

10 COMMISSIONER DEASON: Okay. Before we go any
11 further, let me ask Staff, what is the likelihood that
12 we are going to finish 02 such that we can have closing
13 argument in 01 before 5:00?

14 MS. ERSTLING: My estimation is that we
15 probably need a little less than an hour to complete 02.

16 COMMISSIONER DEASON: But it's probably going
17 to be right around an hour to complete 02?

18 MS. ERSTLING: I would say 45 minutes.

19 COMMISSIONER DEASON: So it's unrealistic to
20 get to closing argument on 01. And so that people do
21 not unnecessarily wait around, we will just have closing
22 argument in 01 tomorrow morning. And so those that do
23 not need to stay for the 02 docket may be excused.

24 MS. BROWN: Commissioner, will you begin that
25 at 9:30?

1 COMMISSIONER DEASON: Yes, at 9:30.

2 And I assume that Staff will use this
3 opportunity to work on whatever recommendations, initial
4 recommendations -- I understand that closing arguments
5 may have an effect on your recommendation, but still
6 this will give you an opportunity to do some initial
7 work anyway.

8 MS. BROWN: We'll be working, thank you.

9 MS. ERSTLING: I believe that Mr. Wright has
10 not made his appearance for Peoples Gas yet, either.

11 COMMISSIONER DEASON: Mr. Wright.

12 MR. WRIGHT: Thank you, Commissioner Deason.

13 My name is Robert Scheffel Wright. I'm with
14 the law firm of Landers and Parsons, 310 West College
15 Avenue in Tallahassee, Florida 32301, appearing on
16 behalf of Peoples Gas System in Docket 950002-EG.

17 COMMISSIONER DEASON: Okay. First witness?

18 MS. ERSTLING: I just wanted to say that there
19 are stipulated issues in this docket, if we want to
20 address those stipulated issues first?

21 All of the issues except the generic Issue 1,
22 2, and 4, and the Company-specific Issue 3, have been
23 stipulated. As to the stipulated issues, the parties
24 have agreed to enter the prefiled testimony exhibits
25 into the record as though read. The names of those

1 witnesses whose testimony may be entered into the record
2 are marked by an asterisk in the Prehearing Order.

3 The exhibits should begin with Exhibit No. 1
4 being WMN-2 and continuing consecutively to Exhibit
5 No. 16. All but Exhibit No. 10 and 11, which is
6 proffered by Mr. Krutsinger of Peoples Gas, may be
7 entered at this time.

8 COMMISSIONER DEASON: Let's slow down for just
9 a minute. You are beginning the numbering of the
10 exhibits with a WMN-2?

11 MS. ERSTLING: Well, that's the ID number.
12 I'm calling it Exhibit No. 1. It's Chesapeake's
13 exhibit.

14 COMMISSIONER DEASON: Well, what about WMN-1
15 which is on Page 8?

16 MS. ERSTLING: I missed it. I apologize.
17 We'll begin with WMN-1 and go through Exhibit 17. Okay.

18 And that would change Krutsinger's to be 11
19 and 12 which are going to be proffered.

20 COMMISSIONER DEASON: Okay. So let's go back
21 to Page 5 of the Prehearing Order. And I take it then
22 that you are moving the insertion of the prefiled
23 testimony of all witnesses with the exception of Witness
24 Krutsinger and that that would be inserted into the
25 record and cross examination waived; is that correct?

1 MS. ERSTLING: That is correct.

2 COMMISSIONER DEASON: Without objection, show
3 that being done.

4 (Exhibit Nos. 1 through 10 and 13 through 17
5 were marked for identification and received in evidence.
6 Exhibit Nos. 11 and 12 marked for identification.)

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1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 In. Re: Conservation Cost Recovery Clause

13

3 REVISED DIRECT TESTIMONY OF WILLIAM M. NETTLES

4 On Behalf of

5 Chesapeake Utilities Corporation

6 DOCKET NO. 950002-EG

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

9 A. My name is William M. Nettles, and my business address is 1015 6th Street N.
10 W., Winter Haven, Florida, 33881. I am employed by Chesapeake Utilities
11 Corporation ("Chesapeake") as Assistant Transportation & Exchange Coordinator
12 / Conservation Services Analyst.

13 Q. Are you familiar with the energy conservation programs of Chesapeake and
14 costs which have been, and are projected to be, incurred in their
15 implementation?

16 A. Yes.

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

18 A. To describe generally the expenditures made and projected to be made in
19 implementing, promoting, and operating Chesapeake's energy conservation
20 programs. This will include recoverable costs incurred in October and
21 November, 1994 and revised projections of program costs to be incurred from
22 December, 1994 through September, 1995. It will also include projected
23 conservation costs for the period October 1, 1995 through March 31, 1996,
24 with a calculation of the conservation adjustment factors to be applied to the
25 customers' bills during the collection period of April 1, 1995 through March

1 31, 1996.

14

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

4 A. Yes. Summaries of the five programs are contained in Schedule C-4 of Revised
5 Exhibit WMN-2. Included are our Single and Multi-Family Home Builder
6 Program, our Water Heater Replacement Program, our Replacement of Electric
7 Strip and Oil Heating Program, our Natural Gas Space Conditioning Program,
8 and our Conservation Education 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. Revised Schedule C-3 of Revised Exhibit WMN-2 shows actual expenses
13 for the months October and November, 1994. Revised projections for
14 December, 1994 through September, 1995, are also shown on Revised
15 Schedule C-3. Projected expenses for the October, 1995 through March, 1996
16 period are shown on Schedule C-2 of Revised Exhibit WMN-2.

17 Q. Have you prepared schedules which show revenues for the period October,
18 1994 through March, 1995?

19 A. Yes. Revised Schedule C-3 (Page 6 of 7, Line 4) shows actual revenues for the
20 months October and November, 1994. Projections for December, 1994
21 through September, 1995, are also shown on Revised Schedule C-3 (Page 6 of
22 7, Line 4).

23 Q. Have you prepared a schedule which shows the calculation of Chesapeake's
24 proposed conservation adjustment factors to be applied during billing periods
25 from April 1, 1995 through March, 31, 1996?

1 A. Yes. Revised Schedule C-1 of Revised Exhibit WMN-2 shows this calculation.
2 Net program cost estimates for the period October 1, 1995, through March 31,
3 1996, are used. The estimated true-up amount from Revised Schedule C-3
4 (Page 6 of 7, Line 12) of Revised Exhibit WMN-2, being an underrecovery, was
5 added to the total of the projected costs for the six-month period. The total
6 amount was then divided among Chesapeake's firm rate classes, based on total
7 projected contribution. The results were then divided by the projected retail
8 firm therm sales for each rate class for the twelve-month period ending March
9 31, 1996. The resulting factors are shown on Revised Schedule C-1 of Revised
10 Exhibit WMN-2.

11 Q. Does this conclude your testimony?

12 A. Yes, it does.

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In Re: Conservation Cost Recovery Clause
DIRECT TESTIMONY OF WILLIAM M. NETTLES

On Behalf of

Chesapeake Utilities Corporation

The Florida Division

Docket No. 940002-EG

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

10 A. My name is William M. Nettles, and my business address is 1015 6th
11 Street N.W., Winter Haven, Florida 33881. I am employed by
12 Chesapeake Utilities Corporation as Assistant Transportation & Exchange
13 Coordinator/Conservation Services Analyst for the Florida Division.

14 Q. Are you familiar with the energy conservation programs of Chesapeake
15 and the costs which have been incurred in their implementation?

16 A. Yes.

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

18 A. The purpose of my testimony is to present data and summaries concerning
19 the planned and actual accomplishments of Chesapeake's energy
20 conservation programs during the period October 1, 1993 through
21 September 30, 1994. Data related to calculation of the true-up for this
22 period is also included.

23 Q. Have you prepared summaries of the Chesapeake's conservation programs
24 and the costs associated with these programs?

25 A. Yes. Summaries of the four programs in connection with which

1 Chesapeake incurred recoverable costs during the period October 1, 1993
2 through September 30, 1994 are contained in Schedule CT-6 of Exhibit
3 WMN-1. Included are our Single and Multi-Family Home Builder
4 Program, our Water Heater Replacement Program, our Replacement of
5 Electric Strip and Oil Heating Program, and our Conservation Education
6 Program.

7 Q. Have you prepared a schedule which shows the actual expenditures
8 associated with its energy conservation program for this period?

9 A. Yes. Schedule CT-2, page 2, of Exhibit WMN-1 shows actual expenses for
10 the period. Schedule CT-2, page 1, shows a comparison of the actual
11 program costs and true-up with the estimated costs and true-up submitted
12 at the March 1994 hearing in this docket.

13 Q. What was the total cost incurred by Chesapeake in connection with the
14 four programs during the twelve months ended September 30, 1994?

15 A. As shown in Exhibit WMN-1, Schedule CT-2, page 2, total program costs
16 were \$160,603. This total is \$16,889 more than our projection of the
17 program costs for the twelve month period.

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

21 A. Yes. Schedule CT-2, page 3, of Exhibit WMN-1 shows these variances.
22 Reasons for the variances are included in Schedule CT-6 of Exhibit WMN-
23 1.

24 Q. What is Chesapeake's adjusted net true-up for the twelve months ended
25 September 30, 1994?

1 A. We originally estimated an underrecovery, including interest, of \$64,902.
2 This projected true-up amount was based on conservation revenues of
3 \$79,228 for the period October, 1993 through September, 1994.
4 However, sales during this period actually yielded conservation revenues
5 of \$135,793, over projections by \$56,565. Deducting expenses of
6 \$16,889 more than projected results in a total difference, including
7 interest, of \$39,805, as shown on Schedule CT-1 of Exhibit WMN-1.

8 Q. Is this adjusted net true-up of \$39,805 an overrecovery or underrecovery?⁶⁸

9 A. An overrecovery, as shown on Schedule CT-1 of Exhibit WMN-1.

10 Q. Does this conclude your testimony?

11 A. Yes.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
PREPARED DIRECT TESTIMONY
OF
JEFFRY M. HOUSEHOLDER

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

A. My name is Jeffry M. Householder and my business address is 955 East 25 Street, Hialeah, Florida 33013-3498. I am employed by City Gas Company of Florida (City Gas) as Vice President of Marketing.

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

A. Yes, I am.

Q. Are you familiar with the costs which have been projected to be incurred and which were made by City Gas in implementing its energy conservation programs?

A. Yes, I am.

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

A. To describe generally the expenditures made and projected to be made in

1 promoting and operating City Gas' energy conservation programs. This will include
2 recoverable cost incurred in October and November 1994, and revised projections
3 of programs costs to be incurred from December 1994 through September 1995.
4 It will also included projected conservation costs for the period October 1995
5 through March 1996, with a calculation of the conservation adjustment factor to
6 be applied to customers' bills during the April 1995 through March 1996 period.

7

8 Q. Has City Gas prepared summaries of its conservation programs and the costs
9 associated with these programs?

10

11 A. Yes. Summaries of the Company's programs are contained in Schedule C-5 of my
12 Exhibit (JMH-1).

13

14 Q. Has City Gas prepared schedules which show the expenditures associated with its
15 energy conservation programs for the periods you have mentioned?

16

17 A. Yes. Schedule C-3, of Exhibit JMH-1 show actual expenses for the months of
18 October and November 1994. Revised projections for December 1994 through
19 September 1995 are also shown in Schedule C-3. Projected expenses for the
20 October 1995 through March 1996 period are shown on Schedule C-2, of Exhibit
21 (JMH-1).

22

23 Q. Has City Gas prepared a schedule which shows the calculation of City Gas'
24 proposed conservation adjustment factor to be applied during billing periods from
25 April 1995 through and including March 31, 1996?

1 A. Yes. Schedule C-1, of Exhibit (JMH-1) shows this calculation. Net program cost
2 estimates for the period October 1994 through September 1995 are used. The
3 estimated true-up amount from Schedule C-3, of Exhibit (JMH-1), being an
4 underrecovery was added to the total of the projected costs for the twelve-month
5 period. The resulting amount was then allocated by the Company's projected retail
6 revenues by rate class for the six-month period ending March 31, 1996. As
7 shown on Schedule C-1, the resulting conservation adjustment factor is a charge
8 of .07563 cents per therm for the Residential rate class, and .01919 cents for the
9 Commercial rate class.

10

11 Q. Does this conclude your testimony?

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13 A. Yes, it does.

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**FLORIDA POWER CORPORATION
DOCKET NO. 940002-EG**

**DIRECT TESTIMONY OF
PHILLIP D. CLEVELAND**

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

2 A. My name is Phillip D. Cleveland. My business address is Post Office
3 Box 14042, St. Petersburg, Florida 33733.

4

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

6 A. I am employed by Florida Power Corporation as Manager of Demand-
7 Side Management.

8

9 **Q. What are the responsibilities of your present position?**

10 A. I am responsible for managing the development and implementation of
11 Energy Conservation programs as approved by the Public Service
12 Commission.

13

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

15 A. The purpose of my testimony is to compare the actual costs for
16 implementing programs during the time period October, 1993 through
17 September, 1994 with the revenues collected pursuant to the
18 conservation cost recovery factor for that same time period.

1 Q. What programs do you wish to include in this testimony?

2 A. I would like to include the following programs:

3	<u>Full FPC Program Name</u>	<u>Program Name as Filed (FPSC)</u>
4	1. Home Energy Analysis	Home Energy Checkup
5	2. Home Energy Check	Home Inspection Audit
6	3. Business Energy Analysis	Business Energy Analysis
7	4. Business Energy Check	Business Energy Inspection
8	5. Residential Comfort Cash	Comfort Cash for Res. Customers
9	6. Residential A/C Duct Test &	Residential Blower Door
10	Repair	
11	7. Residential Insulation	Residential Insulation
12	8. Residential A/C Replacement	Residential HVAC Allowance
13	9. Residential A/C Service	Residential Air Conditioning Tuneup
14	10. Standby Generation	Standby Generation
15	11. Qualifying Facility	Qualifying Facility
16	12. Trade Efficiency A/C Test	Trade Ally Program
17	13. Home Energy Fixup	Home Energy Fixup
18	14. C/I A/C Duct Test and Repair	C/I Blower Door
19	15. C/I Interior Lighting	Indoor Lighting Incentive
20	16. C/I HVAC Service	C/I HVAC Tuneup
21	17. C/I Energy Fixup	C/I Fixup
22	18. C/I HVAC Replacement	C/I HVAC Allowance
23	19. Motor Replacement	C/I Motor Efficiency
24	20. Innovation Incentive	Demand Reduction Capital Offset
25	21. Efficiency Program	New Program Development
26	Development	
27	22. Heat Pipe	C/I Heat Pipe Development
28	23. Interruptible Service Program	Interruptible Service Program
29	24. Curtailable Service Program	Curtailable Service Program
30	25. Load Management	Load Management
31	26. C/I Comfort Cash	Comfort Cash for C/I Customers

1 **Q. Have you prepared any exhibits to assist in your discussion?**

2 A. Yes.

3
4 **Q. What is the title of your Exhibit?**

5 A. My Exhibit (PDC-1) consists of two parts entitled, "Florida Power
6 Corporation Energy Conservation Adjusted Net True-Up for The Period
7 October, 1993 through March, 1994" and "Florida Power Corporation
8 Energy Conservation Adjusted Net True-Up for The Period April, 1994
9 through September, 1994." There are nine (9) schedules to this exhibit.

10
11 **Q. Will you please explain Exhibit No. 1 in your own words?**

12 A. The aforementioned programs are specifically set out in Exhibit No. 1,
13 Schedules CT-1 through CT-4 for the two six month periods. These
14 pages specifically set out the actual costs incurred for all programs
15 during the time period October, 1993 through March, 1994 and the
16 time period April, 1994 through September, 1994. These pages also
17 describe the variance from the estimate based on two months actual
18 and four months projected to the actual costs for the same time period.
19 Schedule CT-5 consisting of 26 pages, is a brief program description
20 that outlines the accomplishments, provides information for the fiscal
21 expenditures and summarizes by giving a program-by-program progress
22 report.

23
24 **Q. Would you please discuss Schedule CT-1?**

1 A. Yes, I will. Schedule CT-1 for the six months ending September, 1994
2 depicts that during the time period October, 1993 through September,
3 1994, Florida Power Corporation over-collected \$9,528,276 including
4 principal and interest, in its Conservation Cost Recovery Clause. This
5 amount is \$3,169,753 more than that previously projected.

6

7 **Q. Does this conclude your prepared testimony?**

8 A. Yes, it does.

**FLORIDA POWER CORPORATION
DOCKET NO. 950002-EG**

**DIRECT TESTIMONY OF
P. D. CLEVELAND**

1 **Q. Will you state your name and address?**

2 **A. P. D. Cleveland, my business address is 3201 - 34th Street South, St.**
3 **Petersburg, Florida 33711.**

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

6 **A. I am employed by Florida Power Corporation in the capacity of Manager**
7 **- Demand Side Management.**

8
9 **Q. What are the responsibilities of your present position?**

10 **A. I am responsible for managing the development and implementation of**
11 **the residential and commercial-industrial energy conservation programs**
12 **as approved by the Public Service Commission.**

13
14 **Q. What is the purpose of your testimony?**

15 **A. The purpose of my testimony is to describe the components of the**
16 **Company's Conservation Plan as approved by the Florida Public Service**
17 **Commission. I will detail the costs for implementation for each program**
18 **in that plan. I will explain the derivation of projected costs for the**
19 **period April, 1995, through March, 1996, and explain how these costs**
20 **are presented in the attached exhibit.**

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

2 A. There are 26 individual programs for which Florida Power seeks
3 recovery pursuant to the Conservation Cost Recovery Clause. They are:

5 <u>Full FPC Program Name</u>	5 <u>Program Name as Filed (FPSC)</u>
6 Home Energy Analysis	Home Energy Checkup
7 Home Energy Check	Home Inspection Audit
8 Business Energy Analysis	Business Energy Analysis
9 Business Energy Check	Business Energy Inspection
10 Residential Comfort Cash	Residential Comfort Cash Loan
11 Residential A/C Duct Test/Repair	Residential Blower Door
12 Residential Insulation	Residential Insulation
13 Residential A/C Replacement	Residential HVAC Allowance
14 Residential A/C Service	Residential Air Conditioning Tuneup
15 Standby Generation	Standby Generation
16 Qualifying Facility	Qualifying Facility
17 Trade Efficiency A/C Test	Trade Ally
18 Home Energy Fixup	Home Energy Fixup
19 C/I A/C Duct Test/Repair	C/I Blower Door
20 C/I Comfort Cash	C/I Comfort Cash Loan
21 C/I Interior Lighting	Indoor Lighting Incentive
22 C/I HVAC Service	C/I HVAC Tuneup
23 C/I Energy Fixup	C/I Fixup
24 C/I HVAC Replacement	C/I HVAC Allowance
25 Motor Replacement	C/I Motor Efficiency

1	Innovation Incentive	Demand Reduction Capital Offset
2	Efficiency Program Development	New Program Development
3	Heat Pipe	C/I Heat Pipe Development
4	Interruptible Services Program	Interruptible Services Program
5	Curtailed Services Program	Curtailed Services Program
6	Load Management	Load Management

7

8 For each program listed, Florida Power Corporation is seeking to
 9 recover those costs allowed pursuant to Rule 25-17.15 of the Florida
 10 Administrative Code as adopted by the Florida Public Service
 11 Commission. The costs are best illustrated by exhibits and explanation
 12 of my testimony.

13

14 **Q. What is the title of your Exhibit?**

15 **A. My Exhibit is entitled, "Summary of Cost Recovery Clause Calculations**
 16 **for the Period April, 1995, through March, 1996."**

17

18 **Q. Will you please explain Exhibit No. 1?**

19 **A. Exhibit 1, containing Schedules C-1 through C-5 includes a summary**
 20 **of the projected program costs during the period April, 1995, through**
 21 **March, 1996. It also includes actual program costs for October and**
 22 **November, 1994, and reprojected program costs for December, 1994**
 23 **through March, 1995. This exhibit contains a Summary Analysis of**
 24 **program progress. Specifically, Schedule C-1, Lines 16 - 18 show the**
 25 **projected conservation cost recovery charge per 1,000 kilowatt-hours**

1 by retail rate class for the time period April, 1995 through March,
2 1996, for Residential and General Service Non-Demand (secondary
3 voltage) \$3.31, (primary voltage) \$3.28, (transmission voltage) \$3.24;
4 General Service 100% Load Factor (secondary voltage) \$2.03; General
5 Service Demand (secondary voltage) \$2.38, (primary voltage) \$2.36,
6 (transmission voltage) \$2.33; Curtailable (secondary voltage) \$2.07,
7 (primary voltage) \$2.05, (transmission voltage) \$2.03; Interruptible
8 (secondary voltage) \$2.08, (primary voltage) \$2.05, (transmission
9 voltage) \$2.03; and Lighting (secondary voltage) \$1.04. These are the
10 factors we have requested in our petition.
11

12 **Q. Please continue.**

13 **A. Exhibit 1, Schedule C-2, Page 1 of 8 and Schedule C-2A Page 1 of 7,**
14 **show the monthly charges projected for the time period April, 1995**
15 **through March, 1996, for the 26 individual programs along with**
16 **common administration expenses (those expenses of staff personnel for**
17 **the implementation of these programs). It also includes, from Schedule**
18 **C-2 Line 32, \$85,263,040, which is the total incremental cost for the**
19 **period.**
20

21 **Exhibit 1, Schedule C-2, Page 3 of 8, and Schedule C-2A Page 2 of 7,**
22 **show the same projected expenses as described above except**
23 **categorized in the various specific areas such as Payroll & Benefits,**
24 **Materials & Supplies, Vehicles, etc. for the two six month periods that**
25 **make up the annual projection.**

1 A. Yes. The base rate energy charges for rate schedules General Service
2 and Residential Service have been equal for Florida Power Corporation
3 since February, 1983. This was accomplished to avoid administrative
4 problems of customers attempting to qualify for the lower of the two
5 rate schedules. To be consistent with base rates and therefore in order
6 to have the same factor applicable to each rate schedule the Company
7 is seeking to combine the Conservation Recovery cost responsibilities
8 of the Residential Service and General Service rates.

9
10 Q. Was the new DSM Plan to be filed on February 22 included in your
11 projection of program activity and costs?

12 A. The new programs which are under development as of this date will be
13 implemented upon approval by the Commission. The timing of this
14 approval is unknown. It is assumed, for projection purposes, that costs
15 for the new programs should not differ significantly from those of the
16 present structure.

17
18 Q. Does this conclude your prepared testimony?

19 A. Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

TESTIMONY OF MARIA I. ARIAS

DOCKET NO. 950002-EG

JANUARY 17, 1995

1 Q. Please state your name and business address.

2 A. My name is Maria I. Arias, and my business address is: 9250 West Flagler
3 Street, Miami, Florida 33174.

4

5 Q. Who is your employer and what position do you hold?

6 A. I am employed by Florida Power & Light Company (FPL) as Manager of
7 Market Planning Support.

8

9 Q. Are you the same Maria I. Arias who testified in Docket 940002-EG?

10 A. Yes, I am.

11

12 Q. What are your responsibilities and duties as Manager of Marketing
13 Planning Support?

14 A. I am responsible for supporting the development of marketing plans and
15 strategies to ensure customers are provided programs, products and services of
16 value. I am also responsible for preparing the Energy Conservation Cost
17 Recovery (ECCR) Forecast and True-Up.

18

19 Q. What is the purpose of your testimony?

1 A. The purpose is to submit for Commission review and approval the projected
2 unreimbursed ECCR costs to be incurred by FPL during the months of April
3 1995 through March 1996, as well as the actual/estimated ECCR costs for
4 October 1994 through March 1995, for our demand side management programs.
5 I will also be presenting the total level of costs FPL seeks to recover through
6 its Conservation Factors during the period April 1995 through March 1996, as
7 well as the Conservation Factors which, when applied to our customers' bills
8 during the period April 1995 through March 1996, will permit the recovery of
9 total ECCR costs.

10

11 Q. Are you sponsoring an exhibit in connection with your testimony?

12 A. Yes, I am sponsoring Exhibit MIA-2, which consists of Schedules C-1 through
13 C-5. While I am sponsoring all of Exhibit MIA-2, parts of the exhibit were
14 prepared under the direct supervision of Mr. Donald L. Babka, Manager of
15 Regulatory and Tax Accounting, and Mr. Barry T. Birkett, Manager of Rates
16 and Tariff Administration, who are available to respond to any questions which
17 the parties or the Commission may have regarding these parts. Exhibit MIA-2,
18 Table of Contents, Page 1 of 1, identifies the portions prepared by Mr. Babka,
19 Mr. Birkett and me.

20

21 Q. Are all the costs listed in these schedules attributable to programs approved
22 by the Commission ?

23 A. No. The costs associated with FPL's approved programs are shown for the
24 months of October 1994 through May 1995. For the months of June 1995
25 through March 1996 the program costs are the costs projected for FPL's

1 proposed DSM Plan, which will soon be filed for approval.

2

3 Q. Please describe the methods used to derive the program costs for which
4 FPL seeks recovery.

5 A. The actual expenditures for currently approved programs for the months October
6 and November 1994 are taken from the books and records of FPL.
7 Expenditures for the months of December 1994 through May 1995 are
8 projections based upon a detailed month-by-month analysis of the expenditures
9 expected for each currently approved program at each location within FPL
10 where such charges are made.

11 The expenditures projected for the months of June 1995 through March 1996
12 are projections based upon a detailed month-by-month analysis of the
13 expenditures expected for the programs in FPL's soon to be filed DSM Plan.
14 These projections are developed for each FPL location where charges are made
15 and take into consideration not only cost levels but also market penetrations.
16 They have been subjected to FPL's budgeting process and an on-going cost-
17 justification process.

18

19 Q. Does that conclude your testimony?

20 A. Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**FLORIDA POWER & LIGHT COMPANY****TESTIMONY OF MARIA I. ARIAS****DOCKET NO. 940002-EG****November 14 , 1994**

1 Q. Please state your name and business address.

2 A. My name is Maria I. Arias, and my business address is: 9250 West Flagler
3 Street, Miami, Florida 33174.

4

5 Q. Who is your employer and what position do you hold?

6 A. I am employed by Florida Power & Light Company (FPL) as Manager of
7 Market Planning Support.

8

9 Q. Have you previously testified in this docket ?

10 A. Yes, I have.

11

12 Q. What are your responsibilities and duties as Manager of Market Planning
13 Support?

14 A. I am responsible for supporting the development of marketing plans and
15 strategies to ensure customers are provided programs, products and services of
16 value. I am also responsible for preparing the Energy Conservation Cost
17 Recovery (ECCR) Forecast and True-Up.

1 Q. What is the purpose of your testimony?

2 A. The purpose of my testimony is to submit for Commission review and approval
3 (1) the net overrecovery to be carried forward in the April 1995 through March
4 1996 period and (2) the conservation-related revenues and costs associated with
5 our Energy Conservation programs for the period October 1, 1993 through
6 September 30, 1994.

7

8 Q. Are you sponsoring an exhibit in connection with your testimony?

9 A. Yes. I am sponsoring Exhibit MIA-1 which consists of Schedules CT-1 through
10 CT-6. While I am sponsoring all of Exhibit MIA-1, parts of the exhibit were
11 prepared under the direct supervision of Mr. Donald L. Babka, Manager of
12 Regulatory and Tax Accounting, who is available to respond to any questions
13 which the parties or the Commission may have regarding those parts. Exhibit
14 MIA-1, Table of Contents, Page 1 of 1, identifies the portions prepared by Mr.
15 Babka and me.

16

17 Q. What is the adjusted net true-up amount which FPL is requesting for the
18 October 1993 through September 1994 period?

19 A. FPL has calculated and is requesting approval of an overrecovery of \$2,079,887
20 as the adjusted net true-up amount for the October 1993 through September
21 1994 period. FPL seeks to carry forward this overrecovery to the calculation
22 of its Conservation Cost Recovery factor for the April 1995 through March
23 1996 period.

24

25 Q. How was this adjusted net true-up for the October 1993 through September

1 1994 period calculated?

2 A. Consistent with the Commission's directive in Order No. PSC-93-0709-FOF-EG,
3 FPL calculated a "final" true-up for the October 1993 through September 1994
4 period. The calculation is shown on Schedule CT-1, Pages 1 through 3.

5

6 Page 1 of 3 of Schedule CT-1 shows the calculation of the final true-up for the
7 first six months of the period. Page 2 of 3 of Schedule CT-1 shows the
8 calculation of the final true-up for the second six months of the period. Please
9 note that for the second six month period, unlike the first six month period,
10 there is no previously approved Estimated/Actual true-up; consequently, the
11 final true-up for the second six month period is the actual variance between
12 expenses and revenues plus the applicable interest.

13

14 To calculate the adjusted net true-up for the entire period October 1993 through
15 September 1994, the final true-up for the first six months, an underrecovery of
16 \$1,199,277, was netted against the final true-up for the second six months, an
17 overrecovery of \$3,279,164, resulting in a net overrecovery of \$2,079,877. This
18 calculation is shown on Page 3 of 3 Schedule CT-1.

19

20 Q. As of the end of September 1994 you show on Schedule CT-3, Page 5 of 6,
21 line 11 an end of period overrecovery of \$3,509,472. Why is FPL
22 recommending that an overrecovery of \$2,079,887 rather than \$3,509,472
23 be carried forward to be refunded to customers during the April 1995
24 through March 1996 period?

25 A. Although FPL had an end of period overrecovery as of September 1994 of

1 \$3,509,472, the Commission has already authorized the refund of \$1,429,585
2 of that overrecovery through the current Conservation Cost Recovery factor.
3 In calculating FPL's current factor, the Commission approved an overrecovery
4 of \$2,859,170. FPL's current factor is refunding that overrecovery during the
5 current twelve month recovery period. As of September 30, 1994, half of that
6 \$2,859,170 had been refunded, and the other half is being refunded over the
7 remaining six months. Thus, FPL's end of period true-up as of September 1994
8 included \$1,429,585 (half of \$2,849,170) that FPL is refunding from October
9 1994 through March 1995.

10

11 To make sure that customers receive the remaining \$2,079,877 of the end of
12 period overrecovery, FPL is proposing that \$2,079,877 be carried forward as the
13 adjusted net true-up to be recovered in the factor to be approved for April 1995
14 through March 1996. As I previously noted, the calculation of this is shown on
15 Schedule CT-1 Page 3 of 3.

16

17 **Q. Are all costs listed in Schedule CT-2 attributable to approved programs or**
18 **Commission conservation proceeding?**

19 **A. Yes. The costs are for approved programs as well as administration costs and**
20 **expenses for FPL's participation in the Conservation Goals Docket.**

21

22 **Q. Are there costs that FPL incurred and seeks to recover in its Conservation**
23 **Research and Development ("CRD") program related to preliminary**
24 **research of real time pricing?**

25 **A. Yes, approximately \$320,000. Before FPL petitioned the Commission for**

1 approval of a Commercial Industrial Real Time Pricing Research Project in
2 December 1993, FPL had performed preliminary research regarding real time
3 pricing. As a result of those efforts, FPL concluded that a research project
4 was necessary and desirable in that it would likely lead to achievement of
5 the reduction in demand growth goal under the Florida Energy Efficiency
6 Conservation Act ("FEECA").

7
8 FPL believes that these preliminary real time pricing related research costs are
9 just the type of cost the CRD program was meant to cover. Ideas, concepts and
10 emerging technologies must be researched for promise and potential. Some can
11 be developed entirely in CRD; others are sufficiently large, lengthy or expensive
12 to warrant separate research projects; still others are examined and abandoned
13 after CRD review. The real time pricing related CRD costs FPL seeks to
14 recover are those preliminary costs incurred prior to seeking program approval.

15
16 When FPL withdrew its petition for approval of its Real Time Pricing Research
17 Project, FPL agreed to defer to seek recovery of program costs incurred for the
18 research project. However, FPL spent the preliminary research funds charged
19 to CRD in good faith, with the intention of advancing the objective of
20 FEECA, and without any anticipation of Staff's subsequent concerns about
21 program costs. Given that these costs fit within the scope of the CRD program
22 and were prudently incurred in good faith, they should be recovered through
23 FPL's Conservation Cost Recovery clause. Any other result would likely chill
24 utility initiative to research innovative conservation approaches.

1 Q. How did your actual program expenditures for October 1993 through
2 September 1994 compare to the estimated/actual and original estimated
3 projections for that period presented at the February 1994 Hearing?

4 A. At the February 1994 Hearing, total expenditures for October 1993 through
5 March 1994 were projected to be \$70,959,218 and April 1994 through
6 September 1994 were projected to be \$81,050,123 for a period total of
7 \$152,009,341. The actual expenditures for October 1993 through March 1994
8 were \$74,543,461 and April 1994 through September 1994 were \$85,013,627
9 for a period total of \$159,557,088. This represents a period variance of
10 \$7,547,748 more than projected. This variance, is shown on Schedule CT-2,
11 Page 4 of 4, line 35 and is explained in Schedule CT-6.

12

13 Q. Was the calculation of the adjusted net true-up amount for the period
14 October 1993 through September 1994 period performed consistently with
15 the prior true-up calculations in this and the predecessor conservation cost
16 recovery dockets?

17 A. FPL's adjusted net true-up was calculated consistent with the methodology set
18 forth in Schedule 1, page 2 of 2 attached to Order No. 10093, dated June 19,
19 1981 but was adapted to reflect that there was no estimated/actual true-up for
20 part of the final true-up period. The schedules prepared under the direct
21 supervision of Mr. Babka detail this calculation.

22

23 Q. What was the source of the data used in calculating the actual net true-up
24 amount?

25 A. Unless otherwise indicated, the data used in calculating the adjusted net true-up

1 amount is taken from the books and records of the Company. The books and
2 records are kept in the regular course of our business in accordance with
3 generally accepted accounting principles and practices, and provisions of the
4 Uniform System of Accounts as prescribed by this Commission.

5

6 Q. Does that conclude your testimony?

7 A. Yes, it does.

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**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 950002-EG
DIRECT TESTIMONY OF
MICHAEL A. PEACOCK
ON BEHALF OF
FLORIDA PUBLIC UTILITIES COMPANY**

Q. Please state your name and business address.

A. Michael A. Peacock; my business address is P. O. Box 610, Marianna, Florida 32446.

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

A. I am employed by Florida Public Utilities Company as Manager of Customer Relations.

Q. What is the purpose of your testimony at this time?

A. To advise the Commission as to the Conservation Cost Recovery Clause Calculation for the period April, 1995 through March, 1996.

Q. What respectively are the total projected costs for the period April, 1995 through March, 1996 in the Marianna Division and the Fernandina Beach Division?

A. For the Marianna Division, the total projected Conservation Program Costs are \$23,700. For the Fernandina Beach Division, the total projected Conservation Program Costs are \$18,300. For each

- 1 Division, please see its respective Schedule C-2,
2 page 2, for a programmatic and functional breakdown
3 of these total costs.
- 4 Q. For each division, what is the true-up amount to be
5 applied to determine the projected net total costs
6 for the period October, 1994 through September,
7 1995.
- 8 A. As reflected in the respective "C" Schedules, the
9 true-up amount for the Marianna Division is
10 \$23,058. In the Fernandina Beach Division the
11 true-up is \$17,606. These amounts are based upon
12 two months actual and ten months estimated data.
- 13 Q. For each division, what are the resulting net total
14 projected conservation costs to be recovered during
15 this period?
- 16 A. For the Marianna Division the net total costs to be
17 recovered are \$46,758. For the Fernandina Beach
18 Division the net total costs to be recovered are
19 \$35,906.
- 20 Q. For each division, what is the Conservation
21 Adjustment Factor necessary to recover these
22 projected net total costs?
- 23 A. For the Marianna Division, the Conservation
24 Adjustment Factor is \$0.00018 per KWH. For the
25 Fernandina Beach Division, the factor is \$0.00012

1 per KWH.

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

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

8 Q. Does this conclude your testimony?

9 A. Yes.

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 940002-EG
DETERMINATION OF FINAL CONSERVATION TRUE-UP AMOUNTS

Direct Testimony of
Michael A. Peacock
On Behalf of
Florida Public Utilities Company

- 1 Q. Please state your name and business address.
- 2 A. Michael A. Peacock; my business address is P.O. Box 610, Marianna,
3 Florida, 32446.
- 4 Q. By whom are you employed and in what capacity?
- 5 A. I am employed by Florida Public Utilities Company as Manager of
6 Customer Relations.
- 7 Q. What is the purpose of your testimony at this time?
- 8 A. To advise the Commission of the actual over/under recovery of the
9 Conservation Program costs for the period October 1, 1993 through
10 September 30, 1994 as compared to the true-up amounts previously
11 reported for that period which were based on two months actual and
12 ten months estimated data.
- 13 Q. Please state the actual amounts of over/under recovery of
14 Conservation Program costs for both divisions of Florida Public
15 Utilities Company for October 1, 1993 through September 30, 1994.
- 16 A. The Company over-recovered \$3,528 in the Marianna Division during
17 that period. In the Fernandina Beach Division we over-recovered
18 \$3,385. These amounts are substantiated on Schedule CT-3, page 2
19 of 3, Energy Conservation Adjustment.
- 20 Q. How do these amounts compare with the estimated true-up amounts
21 which were allowed by the Commission during the February 1994
22 hearing?

-2-

- 1 A. We had estimated that we would under-recovery \$12,535 in Marianna. In
2 Fernandina Beach we had estimated an under-recovery of \$6,635 as of
3 September 30, 1994.
- 4 Q. Have you prepared any exhibits at this time?
- 5 A. We have prepared and pre-filed Schedules CT-1, CT-2, CT-3, CT-4,
6 CT-5 and CT-6 (Composite Exhibit MAP-2).
- 7 Q. Does this conclude your testimony?
- 8 A. Yes.

Gulf Power Company

Before the Florida Public Service Commission
Prepared Direct Testimony of
Margaret D. Neyman
Docket No. 940002-EG
November 14, 1994

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5
- 6 Q. Will you please state your name, business address, employer
7 and position?
- 8 A. My name is Margaret D. Neyman and my business address is 500
9 Bayfront Parkway, Pensacola, Florida 32501. I am employed by
10 Gulf Power Company as the Marketing Services Manager.
- 11
- 12 Q. Ms. Neyman, for what purpose are you appearing before this
13 Commission today?
- 14 A. I am testifying before this Commission on behalf of Gulf
15 Power Company regarding matters related to the Energy
16 Conservation Cost Recovery Clause, specifically the approved
17 programs for October, 1993 through September, 1994.
- 18
- 19 Q. Are you familiar with the documents concerning the Energy
20 Conservation Cost Recovery Clause and its related true-up and
21 interest provisions?
- 22 A. Yes, I am.
- 23
- 24 Q. Have you verified, that to the best of your knowledge and
25 belief, this information is correct?

1 A. Yes, I have.

2 Counsel: We ask that Ms. Neyman's exhibit consisting of 9

3 Schedules be marked for identification as:

4 Exhibit No. 9 (MDN-1)

5

6 Q. Would you summarize for this Commission the deviations
7 resulting from the actual expenditures for this recovery
8 period and the original estimates of expenses?

9 A. The budgeted expenses for the entire recovery period October,
10 1993 through September, 1994, were \$2,260,994, while the
11 actual costs were \$2,323,403 resulting in a variance of
12 \$62,409 or 2.7 percent over budget.

13 Q. Ms. Neyman, would you explain this variance during the
14 October, 1993 through September, 1994 time-frame?

15 A. Yes, the major reasons for this variance are increased
16 expenses in Home Energy Audits, over \$91,269; EA/TAA, over
17 \$97,863; Good Cents Buildings, over \$16,718; Heat Pipe, over
18 \$20,302; TranstexT, over \$13,619; and HVAC Tune-up, over \$2,460.
19 However, decreased expenses in Gulf Express, under \$72,844; Blower
20 Door, under \$11,323; and Research and Development, under \$95,655
21 offset these expenses to some degree, resulting in the previously
22 referenced variance of deviations are contained in Schedule CT-6.

23

24

25

1 Q. Would you describe the results of your programs during the
2 October, 1993 through September, 1994, recovery period?

3 A. A more detailed review of each of the programs is included in
4 my Schedule CT-6. The following is a synopsis of the
5 accomplishments during this recovery period.

6 (1) Home Energy Audits - During this period, we projected
7 to audit 3,400 structures. We actually completed
8 3,278. This program continues to be well accepted and
9 is essentially on goal for this period.

10 (2) Energy Audits and Technical Assistance Audits - During
11 this recovery period, a total of 473 EA/TAA were
12 completed. Our forecast for this period was 791 for a
13 difference of 318 audits below goal. This program is
14 being emphasized due to achievable potential for
15 savings, and continues to be well received by our
16 customers.

17 (3) Good Gents Building - During this recovery period a
18 total of 286 buildings were built or improved to Good G
19 ents standards, compared to a budget of 448 or 162
20 units below goal.

21 (4) Gulf Express Loan Program - During this recovery
22 period, a total of 281 loans were completed compared to
23 a budget of 561 or 280 loans below the goal.

24 (5) Pilot Programs - HVAC Duct and Infiltration Program
25 (Blower Door), HVAC Tune-Up Program, Heat Pipe and

1 Transtext Programs were pilots for this period and
2 their status is detailed in Schedule CT-6.

3 (6) Conservation Demonstration and Development - Two
4 research projects have been identified and are detailed
5 in Schedule CT-6.
6

7 Q. Ms. Neyman, what was Gulf's adjusted net true-up for the
8 period October, 1993, through September, 1994?

9 A. There was an under-recovery of \$151,608 as shown on Schedule
10 CT-1, page 1.
11

12 Q. Ms. Neyman, does this conclude your testimony?

13 A. Yes, it does.
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Before the Florida Public Service Commission
Prepared Direct Testimony of
Margaret D. Neyman
Docket No. 950002-EG
January 17, 1995

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2
3
4
5 Q. Will you please state your name, business address,
6 employer and position?

7 A. My name is Margaret D. Neyman and my business address is
8 500 Bayfront Parkway, Pensacola, Florida 32501. I am
9 employed by Gulf Power Company as the Marketing Services
10 Manager.

11
12 Q. Are you familiar with the documents concerning the
13 Energy Conservation Cost Recovery?

14 A. Yes, I am.

15
16 Q. Have you verified, that to the best of your knowledge
17 and belief, this information is correct?

18 A. Yes, I have.

19 Counsel: We ask that Ms. Neyman's exhibit consisting of
20 5 Schedules be marked for identification as:
21 Exhibit No. 10 (MDN-2)

22 Q. Ms. Neyman, for what purpose are you appearing before
23 this Commission today?

24 A. I am testifying before this Commission on behalf of Gulf
25 Power Company regarding matters related to the Energy

1 Conservation Cost Recovery Clause, and to answer any
2 questions concerning the accounting treatment of
3 conservation costs in this filing. Specifically, I
4 address projections for approved programs during the
5 April, 1995 through March, 1996 recovery period and the
6 results of those programs during the recovery period,
7 October, 1994 through March, 1995 (2 months actual, 4
8 months estimated).

9
10 Q. Would you summarize for this Commission the deviations
11 resulting from the actual expenditures from October
12 through November of the current recovery period?

13 A. Projected expenses for the period were \$402,243 compared
14 to actual expenses of \$389,245 for a difference of
15 \$12,998 or 3% below budget. A detailed summary of these
16 expenses is contained in my Schedule
17 C-3, pages 1 and 3 and my Schedule C-5, pages 1 through
18 11.

19
20 Q. Would you describe the results achieved by the programs
21 during the current period, October, 1994 through
22 November, 1994?

23 A. A detailed summary of results for each program is
24 contained in my Schedule C-5, pages 1 through 11. In
25 general, the results are below budget for the October,

1 1994, through November, 1994 period. We expect to
2 achieve all goals over the full six month period.

3

4 Q. Has Gulf Power Company established any new conservation
5 programs since the beginning of the current recovery
6 period?

7 A. No. Gulf has not established any new programs during
8 this period that are being recovered through ECCR.
9 However, conservation programs may be added in the
10 future as a result of programs filed in Docket No.
11 941172-EI, Demand Side Management Plan. New
12 conservation programs approved for recovery as a result
13 of action taken in Docket No. 941172-EI will be
14 addressed in a later filing.

15

16 Q. Would you summarize the conservation program cost
17 projections for the April, 1995 through March, 1996
18 recovery period?

19 A. Program costs for the recovery period are projected to
20 be \$2,112,896. These costs are broken down as follows:
21 payroll/benefits, \$1,091,362; materials/expenses,
22 \$421,101; advertising, \$395,860; vehicles, \$62,908;
23 outside services, \$111,034; and other, \$30,631. More
24 detail is contained in my Schedule C-2.

25

1 Q. Would you review the expected results for your programs
2 during the April, 1995 through March, 1996, recovery
3 period?

4 A. The following is a synopsis of each program goal.

- 5 (1) Residential Energy Audits - 3,300 audits are
6 projected to be completed during the period. These
7 audits emphasize selling customers on making
8 conservation improvements and making them aware of
9 the financing options available through the Gulf
10 Express Loan Program.
- 11 (2) Energy Audits and Technical Assistance Audits - 485
12 audits are projected for the period. Emphasis will
13 be placed on audits for large, complex commercial
14 customers such as hospitals, hotels and office
15 buildings. These audits will focus on the benefits
16 of alternative technologies such as cool storage
17 space conditioning.
- 18 (3) Good Cents Building - This program includes both
19 new and existing commercial customers. 305
20 installations are projected for the period.
21 Implementation strategies will concentrate on
22 architects, engineers, developers and other
23 decision makers in the construction process.
- 24 (4) Gulf Express Loan Program - This program provides
25 below market interest rates to customers as an

1 incentive to install energy conservation features
2 in their homes. 290 loans are projected for the
3 period.

4
5 Q. Ms. Neyman, what amount does Gulf propose to bill for
6 the months April, 1995 through March, 1996 as an Energy
7 Conservation Cost Recovery factor?

8 A. The factor for these months would be 0.026¢/KWH as shown
9 on my Schedule C-1, Line 8.

10

11 Q. How is the 0.026¢/KWH derived?

12 A. The net amount of Energy Conservation Costs including
13 true-up amounts, is \$2,172,829.71. The net Energy
14 Conservation Costs of \$2,172,829.71 spread over
15 8,401,626,000 kwh sales for April, 1995 through March,
16 1996 as shown on my Schedule C-1, Line 4, resulting in a
17 factor of 0.026¢/KWH.

18

19 Q. Ms. Neyman, does this conclude your testimony?

20 A. Yes, it does.

21

22

23

24

25

BEFORE THE PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

HOWARD T. BRYANT

1
2
3
4
5
6 Q. Please state your name and address.

7
8 A. My name is Howard Bryant. My business address is 702 North
9 Franklin Street in Tampa, Florida 33602.

10
11 Q. Mr. Bryant, what is the purpose of your testimony?

12
13 A. The purpose of my testimony is to support the Company's
14 actual conservation costs incurred during the period
15 October 1, 1993 through and including September 30, 1994,
16 the actual and projected period of October 1, 1994 to March
17 31, 1995, and the twelve month projected period of April 1,
18 1995 through March 31, 1996. Also, I will support the
19 level of charges (benefits) for the interruptible Customers
20 allocated to the period April 1, 1995 through March 31,
21 1996. The balance of costs will be charged to the firm
22 Customers on a per kilowatt-hour basis in accordance with
23 Docket No. 930759-EG, Order No. PSC-93-1845-FOF-EG dated
24 December 29, 1993. Additionally, I will address the gross
25 receipts tax refund and method of disbursement.

1 Q. What is the basis of this request for expenses to be based
2 on different charges for interruptible and firm Customers?

3
4 A. Tampa Electric Company believes that our conservation and
5 load management programs do not accrue capacity benefits to
6 interruptible Customers. This position has been supported
7 by this Commission in Dockets 900002-EG, 910002-EG, 920002-
8 EG, 930002-EG and 940002-EG. The Company estimates the
9 cumulative effects of its conservation and load management
10 programs will allow the interruptible Customers to have
11 lower fuel costs (\$0.07/MWH) due to the reductions in
12 marginal fuel costs.

13
14 Q. How were those benefits calculated?

15
16 A. To determine fuel savings effects, we have calculated a
17 "what if there had been no conservation programs." The
18 results indicate that the avoided gigawatt-hours have
19 actually reduced average fuel costs due to the fact that
20 higher priced marginal fuels would be burned if the
21 gigawatt-hours had not been saved.

22
23 The attached analysis, Exhibit No. (HTB-2), Conservation
24 Costs Projected, portrays costs and benefits.

25

1 Q. Doesn't charging different amounts for firm and
2 interruptible Customers conflict with the Florida Energy
3 Efficiency and Conservation Act?
4

5 A. No. The act requires the utilities, through the guidance
6 of the Florida Public Service Commission, to cost
7 effectively reduce peak demand, energy consumption and the
8 use of scarce resources, particularly petroleum fuels. It
9 does not require all Customers to pay the utilities'
10 conservation costs no matter if they receive the same level
11 of benefits or not. The relationships between costs and
12 benefits received are specifically the determination of the
13 Commission.
14

15 Q. Please address the gross receipts tax refund.
16

17 A. Through a series of workshops and discussions beginning in
18 early 1993 between the Florida Public Service Commission
19 Staff and Tampa Electric Company, it was determined that
20 different methods were being used to calculate the Florida
21 Gross Receipts Tax by the Florida investor owned electric
22 utilities. The difference resulted from determining
23 whether to calculate the tax base before a reduction for
24 load management credits or after, and upon recognizing the
25 inconsistency, it was agreed to request a ruling from the

1 Florida Department of Revenue (DOR) asking for the proper
 2 treatment of the credits in the tax computation. The
 3 company had been calculating the tax base without a
 4 reduction for the credits in its payments to DOR and was
 5 billing its customers using the same methodology.

6
 7 Linda Lettera, General Counsel at DOR, sent a letter to
 8 Robert Elias, Staff Counsel, on August 4, 1993 indicating
 9 that load management credits should not be included in the
 10 tax base. Pursuant to that determination, Tampa Electric
 11 Company filed a claim for refund of gross receipts tax with
 12 the DOR that had been previously paid on the load
 13 management credits. Additionally, the company modified its
 14 billing system effective April 1, 1994 to deduct the load
 15 management credit before the gross receipts tax calculation
 16 was made.

17
 18 As a result of the claim for refund and an audit up through
 19 the billing change date covering the period of January 1989
 20 through March 1994, the DOR refunded credits of \$880,208
 21 during 1994.

22
 23 To accomplish the refund, Tampa Electric Company has
 24 reduced projected load management expenses for April 1995
 25 by the \$880,208 amount plus accrued interest through March

- 1 1995. This method was selected for the following reasons:
- 2 a. The estimated cost for programming, testing and
- 3 implementing a billing system change to
- 4 facilitate a one time bill credit was over
- 5 \$81,000;
- 6 b. The estimated cost to produce a refund check to
- 7 all load management customers of record on a
- 8 specific date was over \$400,000 and;
- 9 c. The administrative costs to identify a recipient
- 10 for a one time refund and/or any reconciliation
- 11 of amounts in error or lost checks was
- 12 undeterminable yet real.

13

14 Q. Please describe the conservation program costs projected by

15 Tampa Electric Company during the period October 1, 1993

16 through September 30, 1994.

17

18 A. For the period October 1, 1993 through September 30, 1994

19 Tampa Electric Company projected conservation program costs

20 to be \$17,784,314. The Commission authorized collections

21 to recover these expenses in Docket No. 930002-EG, Order

22 No. PSC-93-1333-FOF-EG, issued September 13, 1993 and

23 Docket No. 940002-EG, Order No. PSC-94-0389-FOF-EG, issued

24 April 4, 1994.

25

- 1 Q. Mr. Bryant, for the period October 1, 1993 through
2 September 30, 1994, what were Tampa Electric's conservation
3 costs and what was recovered through the Conservation Cost
4 Recovery Clause?
5
- 6 A. For the period October 1, 1993 through September 30, 1994
7 Tampa Electric Company incurred actual net conservation
8 costs of \$17,968,490, plus a beginning true-up under
9 recovery of \$442,612 for a total of \$18,411,102. The
10 amount collected in the Conservation Cost Recovery Clause
11 was \$18,891,580.
12
- 13 Q. What was the adjusted net true-up?
14
- 15 A. The adjusted net true-up for the period October 1, 1993
16 through September 30, 1994 was an over recovery of
17 \$182,603. These calculations are detailed in Exhibit No.
18 (HTB-1), Conservation Cost Recovery True Up, Pages 1
19 through 10.
20
- 21 Q. Please describe the conservation program costs incurred and
22 projected to be incurred by Tampa Electric Company during
23 the period October 1, 1994 through March 31, 1995.
24
- 25 A. The actual costs incurred by Tampa Electric Company through

1 November 30, 1994 and estimated for December 1, 1994
2 through March 31, 1995 are \$9,422,075.

3
4 For the period, Tampa Electric anticipates an over recovery
5 in the conservation cost recovery of \$209,238 which
6 includes the previous period true-up and interest. A
7 summary of these costs and estimates are fully detailed in
8 Exhibit No. (HTB-2), Conservation Costs Projected, Pages 1
9 through 28.

10
11 Q. Mr. Bryant, for the period April 1, 1995 through and
12 including March 31, 1996, what are Tampa Electric's
13 estimates of its conservation costs and cost recovery
14 factor?

15
16 A. The company has estimated that the total conservation costs
17 (less program revenues) during that period will be
18 \$17,469,571 plus true-up. Including true-up estimates and
19 the interruptible sales contribution at 0.007 cents/KWH,
20 the cost recovery factors for firm retail rate classes will
21 be 0.154 cents/KWH for Residential, 0.146 cents/KWH for
22 General Service Non-Demand, 0.119 cents/KWH for General
23 Service Demand-Secondary, 0.118 cents/KWH for General
24 Service Demand-Primary, 0.112 cents/KWH for General Service
25 Large Demand-Secondary, 0.111 cents/KWH for General Service

1 Large Demand-Primary, and 0.058 cents/KWH for Lighting.
2 Exhibit No. (HTB-2), Conservation Costs Projected, pages 3
3 through 8 contain the Commission prescribed forms which
4 detail these estimates.

5

6 Q. Mr. Bryant, has Tampa Electric Company compiled with the
7 ECCR cost allocation methodology stated in Docket No.
8 930759-EG, Order No. PSC-93-1845-EG?

9

10 A. Yes, it has.

11

12 Q. Does this conclude your testimony?

13

14 A. Yes it does.

15

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- 1 October 1993 through September 1994?
- 2 A. The Company has over-recovered \$182,992.00
3 including interest. This amount appears on
4 Schedule CT 3, page 2 of 3.
- 5 Q. What is the amount of the adjusted net true-up
6 for the period October 1993 through September
7 1994?
- 8 A. This amount which appears on Schedule CT-1, page
9 1 of 1 is \$497,361.00 over-recovery.
- 10 Q. Does that complete your testimony?
- 11 A. Yes.

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 950002-EG
DIRECT TESTIMONY OF
CINDY ARNOLD
ON BEHALF OF WEST FLORIDA NATURAL GAS COMPANY

Q. Please state your name, address and employment position.

A. My name is Cindy Arnold. My business address is 301 Maple Avenue, Panama City, Florida. I am employed as the conservation accountant for West Florida Natural Gas Company.

Q. What is the purpose of your testimony?

A. My testimony supports the Schedules C-1, C-2, C-3, and C-5, which I prepared, and the calculation of the conservation cost recovery factor to be applied to customer bills during the period of April 1, 1995 through March 31, 1996. The "C" Schedules filed with the Commission consist of Schedules C-1, C-2, C-3 and C-5 (composite pre-hearing identification number CA-2). The Schedules reflect assumptions concerning projected levels of program activity developed by Ronald C. Sott, who is Director, New Market Development and who maintains close contact with our customers. Tom Goodwin,

1 Coordinator - Gas Management, has also submitted
2 direct testimony in this docket to support
3 projected therm sales data.

4 Q. What is the total amount of program costs which the
5 Company expects to incur during the period October
6 1995 through March 1996?

7 A. That amount, which appears on Schedule C-2, page 1
8 of 3, is \$455,664.00.

9 Q. What is the amount of the estimated true-up for the
10 current period?

11 A. The Company expects to underrecover \$214,968.00
12 including interest. This amount appears on
13 Schedule C-3, page 4 of 5.

14 Q. What is the total amount to be recovered during the
15 period April 1995 through March 1996, and what is
16 the proposed cost recovery factor related to that
17 amount?

18 A. Based upon total incremental cost of \$455,664.00
19 and a true-up of \$214,968.00 underrecovery, the
20 total amount to be recovered during April 1995
21 through March 1996 is \$670,632.00. This amount is
22 allocated to the different customer classes in the
23 same proportion as they contribute to base rate
24 revenues. The amount attributed to each class is
25 then divided by the projected therm sales for that

1 class. This calculation results in a conservation
2 recovery factor for residential customers of 4.453 cents
3 per therm; for commercial customers of 1.514 cents per
4 therm; for commercial large and transportation commercial
5 large customers of 1.129; for industrial customers and
6 transportation customers of 0.218 cents per therm, as
7 adjusted for taxes.

8 Q. Does that complete your testimony?

9 A. Yes.

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 950002-EG
DIRECT TESTIMONY OF
RONALD C. SOTT
ON BEHALF OF WEST FLORIDA NATURAL GAS COMPANY

Q. Please state your name and address.

A. My name is Ronald C. Sott. My business address is 301 Maple Avenue, Panama City, Florida.

Q. In what capacity are you employed by West Florida Natural Gas Company?

A. My job title is Director, New Market Development. My position includes overall responsibility for administering the Company's conservation programs in both divisions.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to support the projected levels of conservation program expenses as incorporated into the "C Schedules" sponsored by Cindy Arnold.

Q. Please proceed.

A. In order to project expenses for the Home Builders Program, we contacted several of our major contractors and reviewed their schedules for the periods involved. These projections include several new developments which are ongoing during this period. The projections for our

1 replacement and ESP programs were developed based on
2 actual data in previous periods plus projected increases
3 due to extensive main line construction into previously
4 unserviced areas of Marion County, Florida. Our gas
5 water heater load retention estimates were based on past
6 experience with our water heater lease/purchase program.
7 Commercial appliance replacement was projected using past
8 experience with our commercial water heater
9 lease/purchase program as well as information provided by
10 commercial equipment distributors and gas installers.
11 The gas space conditioning program projections were based
12 on estimates; this is a new program for which we have no
13 historical information or experience from which to draw.

14 Q. Does this complete your testimony?

15 A. Yes.

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
2 DOCKET NO. 950002-EG
3 DIRECT TESTIMONY OF
4 TOM GOODWIN
5 ON BEHALF OF WEST FLORIDA NATURAL GAS COMPANY

6 Q. Please state your name and address.

7 A. My name is Tom Goodwin. My business address is 301 Maple
8 Avenue, Panama City, Florida. I am employed as
9 Coordinator - Gas Management by West Florida Natural Gas
10 Company. My responsibilities include participation in the
11 development of projected therm sales for the period April
12 1995 through March 1996 projection period.

13 Q. What is the purpose of your testimony?

14 A. The purpose of my testimony is to describe how we arrived
15 at the estimate of 37,927,269 therms for the period.
16 That projected sales volume is incorporated in the "C
17 schedules" sponsored by Cindy Arnold.

18 Q. Please explain how this estimate was developed.

19 A. The estimate of 37,927,269 therms consists of projected
20 firm gas sales totaling 25,714,069 therms and firm
21 transportation gas totaling 12,213,200 therms. The firm
22 gas component was derived by projecting an approximate 3%
23 increase in sales for Residential and a 2% increase for
24 Commercial customers. Projections were based on average
25 consumption during the past two (2) April through March

1 seasons. Industrial sales projections reflect an
2 approximate growth factor of 1%. Firm Gas transportation
3 sales to end-users is projected to decrease by
4 approximately 28% due to the change by two (2) Firm
5 Transportation customers to interruptible transportation
6 service.

7 Q. Do these therm sales projections include any volumes to
8 be sold under an interruptible rate?

9 A. No. Since interruptible sales are excluded from
10 consideration under the conservation cost recovery
11 program, they have been excluded from the above
12 projections.

13 Q. Does this complete your testimony?

14 A. Yes.

1 COMMISSIONER DEASON: And you also are moving
2 the admittance of all identified Exhibits 1 through 17
3 with the exception of Exhibits 11 and 12?

4 MS. ERSTLING: That is correct.

5 COMMISSIONER DEASON: Without objection, those
6 Exhibits 1 through 17, with the exception of 11 and 12,
7 will be admitted.

8 MS. ERSTLING: You have allowed the parties to
9 offer oral argument on Issue No. 4. May I suggest since
10 the company's witness for Issue No. 13, Company-specific
11 is here at this time, that we first go to Issue 13 and
12 take that witness and then go back for the oral
13 arguments.

14 COMMISSIONER DEASON: That sounds
15 satisfactory. We will then hear Mr. Krutsinger's
16 testimony.

17 MR. WRIGHT: Thank you, Mr. Chairman.

18 Peoples Gas will call Mr. Krutsinger to the
19 stand.

20 Mr. Chairman, if I could, take about 30
21 seconds to preface this segment of the hearing.

22 The only matter at issue for Peoples Gas
23 System pertains to whether Peoples is to be allowed to
24 recover some \$47,490 incentive payments made for certain
25 piping and bedding allowances in late 1993 and early

1 1994. This issue is raised by the Staff and is,
2 therefore, not specifically addressed in
3 Mr. Krutsinger's direct testimonies filed in this case.

4 what I would propose to do, and I believe that
5 Staff is in agreement with this procedurally, is that
6 I'll go ahead and move his testimony and request
7 identification of his exhibits. And then, since the
8 issue is not addressed in his testimony, rather than
9 have a summary, I'll simply tender Mr. Krutsinger for
10 cross examination. At the conclusion of the Staff's
11 cross examination, I would intend to conduct some
12 redirect to the extent required.

13 COMMISSIONER KIESLING: Could you help me
14 understand what the document that I have, that's called
15 "Peoples Gas Systems Withdrawal of Testimony and
16 Exhibits" is in relationship to this testimony?

17 MR. WRIGHT: Certainly, Commissioner Kiesling.
18 Peoples Gas Systems' withdrawal of testimony withdraws
19 two sets of testimony filed by Mr. Krutsinger on January
20 25, 1995 and February 1, 1995 respectively. Those two
21 sets of testimony address certain advertising issues
22 regarding some matters that at that time were at issue
23 between People's Gas System and Tampa Electric Company
24 as to the veracity of each other's advertising. But by
25 stipulated joint motion for continuance and the

1 accompanying motions for withdrawal, both sides withdrew
2 all of that testimony.

3 COMMISSIONER KIESLING: Okay.

4 MR. WRIGHT: So what remains in the case for
5 Mr. Krutsinger is his direct testimony of November 14,
6 1994, and the January 17, 1995, which simply presents
7 the exhibits for Peoples' direct case requesting energy
8 conservation cost recovery.

9 COMMISSIONER KIESLING: Thank you.

10 MR. WRIGHT: And I think with that it would
11 probably be appropriate for me to move the entry of
12 those two testimonies into the record as though read at
13 this time.

14 COMMISSIONER DEASON: First of all, was
15 Mr. Krutsinger here previously and was sworn?

16 MR. WRIGHT: No, sir. He has not been sworn.

17 COMMISSIONER DEASON: Well, let's do that at
18 this time.

19 Mr. Krutsinger, if you'll stand and raise your
20 right hand, please.

21 - - - - -

22

23

24

25

1 VERNON I. KRUTSINGER.

2 was called as a witness on behalf of Peoples Gas System
3 and, hav'ng been duly sworn, testified as follows:

4 DIRECT EXAMINATION

5 COMMISSIONER DEASON: Now, Mr. Wright, you are
6 moving the insertion of the prefiled testimony of
7 Mr. Krutsinger at this time; is that correct?

8 MR. WRIGHT: Yes, sir, of which there are two
9 sets, one dated November 14, 1994 and one dated January
10 17, 1995. The November 14th testimony is what we call
11 the ECCR true-up testimony and the January 17th is the
12 available cost-recovery package testimony.

13 COMMISSIONER DEASON: Without objection, that
14 testimony as described will be inserted into the record.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
IN RE: CONSERVATION COST RECOVERY CLAUSE,
DOCKET NO. 940002-EG

DIRECT TESTIMONY OF VERNON I. KRUTSINGER

1 Q: Please state your name and business address.

2 A: My name is Vernon I. Krutsinger. My business address is
3 Peoples Gas System, Inc., Suite 1700, 111 East Madison
4 Street, Post Office Box 2562, Tampa, Florida 3361-2562.

5

6 Q: By whom are you employed and in what capacity?

7 A: I am employed by Peoples Gas System, Inc. as Manager of
8 Energy Utilization.

9

10 Q: Are you familiar with Peoples Gas System's energy
11 conservation programs?

12 A: Yes. As Manager of Energy Utilization, I work with the
13 Company's energy conservation programs on a daily basis.

14

15 Q: Are you familiar with the costs that Peoples incurs in
16 implementing its energy conservation programs?

17 A: Yes. I am responsible for planning, implementation,
18 coordination, and maintenance of all of Peoples' energy
19 conservation programs. My responsibilities include
20 routinely testifying in support of the Company's CCR
21 filings.

DIRECT TESTIMONY OF VERNON I. KRUTSINGER

1 Q: Have you previously testified in proceedings before the
2 Florida Public Service Commission?

3 A: Yes. I have testified in several Conservation Cost
4 Recovery ("CCR") proceedings beginning in 1992. I have
5 also testified in other conservation-related dockets before
6 the Commission.

7

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

9 A: My testimony in Docket No. 940002-EG addresses the costs
10 that Peoples seeks to recover through the conservation cost
11 recovery ("CCR") clause. Specifically, this part of my
12 testimony addresses the true-up amount for the period
13 October 1993 through September 1994.

14

15 Q: Are you sponsoring any exhibits with your testimony?

16 A: Yes. I am sponsoring Exhibit 11 (VIK-1), which contains
17 the Conservation Cost Recovery True-Up Data in the format
18 requested by the Commission Staff for the period October
19 1993 through September 1994. Exhibit 11 (VIK-1) consists
20 of 20 pages and includes summary and detailed data relating
21 to the true-up, CCR revenues, and actual and projected
22 program cost data.

DIRECT TESTIMONY OF VERNON I. KRUTSINGER

1 Q: What are the Company's true-up amounts for the period
2 October 1993 through September 1994?

3 A: As shown on Schedule CT-1 of Exhibit 11 (VIK-1), the end-
4 of-period net true-up for the period is an overrecovery of
5 \$317,838, including both principal and interest. The
6 projected true-up for the period, as approved by Commission
7 Order No. PSC-94-0389-FOF-EG, was \$2,818,208 underrecovery.
8 Subtracting the projected true-up underrecovery from the
9 actual overrecovery yields the adjusted net true-up of
10 \$3,136,046.

11

12 Q: What do the rest of the schedules in Exhibit 11 (VIK-1)
13 show?

14 A: Schedule CT-2 presents an analysis of the variance between
15 actual and estimated energy conservation program costs for
16 the period October 1993 through September 1994. Schedule
17 CT-3 presents an analysis of program costs, by month and by
18 program, and calculation of the true-up and interest
19 amounts. Schedule CT-4 is not applicable to Peoples Gas
20 System. Schedule CT-5 provides for a reconciliation and
21 explanation of differences between the Company's filing and
22 the PSC's audit for the relevant period; there are no such
23 differences to report as of the date of this filing.
24 Schedule CT-6 contains Program Progress Reports for each of
25 Peoples' approved energy conservation programs.

DIRECT TESTIMONY OF VERNON I. KRUTSINGER

- 1 **Q: Does this conclude your prefiled direct testimony regarding**
2 **Peoples' requested true-up amounts?**
3 **A: Yes, it does.**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: CONSERVATION COST RECOVERY CLAUSE,
DOCKET NO. 950002-EG

DIRECT TESTIMONY OF VERNON I. KRUTSINGER

1 Q: Please state your name and business address.

2 A: My name is Vernon I. Krutsinger. My business address is
3 Peoples Gas System, Inc., Suite 1700, 111 East Madison
4 Street, Post Office Box 2562, Tampa, Florida 3361-2562.

5

6 Q: By whom are you employed and in what capacity?

7 A: I am employed by Peoples Gas System, Inc. as Manager of
8 Energy Utilization.

9

10 Q: Are you the same Vernon I. Krutsinger who previously filed
11 testimony in this proceeding?

12 A: Yes. My earlier direct testimony, filed in Docket No.
13 940002-EG on November 11, 1994, addressed Peoples'
14 requested conservation cost recovery ("CCR") true-up amount
15 for the period October 1993 through September 1994.

16

17 Q: Are you familiar with Peoples Gas System's energy
18 conservation programs?

19 A: Yes. As Manager of Energy Utilization, I work with the
20 Company's energy conservation programs on a daily basis.

21

DIRECT TESTIMONY OF VERNON I. KRUTSINGER

1 **Q: Are you familiar with the costs that Peoples incurs in**
2 **implementing its energy conservation programs?**

3 A: Yes. I am responsible for planning, implementation,
4 coordination, and maintenance of all of Peoples' energy
5 conservation programs. My responsibilities include
6 routinely testifying in support of the Company's CCR
7 filings.

8

9 **Q: Have you previously testified in proceedings before the**
10 **Florida Public Service Commission?**

11 A: Yes. I have testified in several Conservation Cost
12 Recovery ("CCR") proceedings beginning in 1992. I have
13 also testified in other conservation-related dockets before
14 the Commission.

15

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

17 A: My testimony in Docket No. 950002-EG addresses Peoples'
18 energy conservation programs and the costs that Peoples
19 seeks to recover through the conservation cost recovery
20 ("CCR") clause. Specifically, this part of my testimony
21 first presents data and summaries concerning the planned
22 and actual accomplishments of the Company's energy
23 conservation programs during the period October 1, 1993
24 through September 30, 1994. Data related to calculation of
25 the true-up amount for this period is also presented.

DIRECT TESTIMONY OF VERNON I. KRUTSINGER

1 Second, my testimony describes generally the expenditures
2 made and projected to be made in implementing, promoting,
3 and operating Peoples' energy conservation programs,
4 including actual costs incurred in October and November
5 1994 and revised projections of program costs that Peoples
6 expects to incur from December 1994 through September 1995.
7 Next, my testimony presents projected conservation program
8 costs for the period October 1, 1995 through March 31,
9 1996. Finally, my testimony presents the calculation of
10 the conservation cost recovery adjustment factors to be
11 applied to customers' bills during the period beginning in
12 April 1995 and continuing through March 1996.

13

14 **Q: Are you sponsoring any exhibits with your testimony?**

15 A: Yes. I am sponsoring Exhibit 12 (VIK-2), which contains
16 Schedules C-1 through C-5. These exhibits were prepared
17 under my supervision and direction.

18

19 **Q: Have you prepared summaries of the Company's conservation
20 programs and the costs associated with these programs?**

21 A: Yes. Summaries of the Company's programs are presented in
22 Schedule C-5, Pages 1 of 10 through 10 of 10.

23

DIRECT TESTIMONY OF VERNON I. KRUTSINGER

1 Q: Have you prepared schedules that show the expenditures
2 associated with Peoples' energy conservation programs for
3 the periods that your testimony addresses?

4 A: Yes. Actual expenses for the period October 1993 through
5 September 1994 are shown on Schedule CT-2, Page 2, of
6 Exhibit 11 (VIK-1). Exhibit 11 (VIK-1) was included
7 with my earlier direct testimony. Page 1 of Schedule CT-2
8 presents a comparison of the actual program costs and true-
9 up amount to the projected costs and true-up amount for the
10 same period.

11

12 Q: What was the total cost incurred by the Company in
13 connection with its approved energy conservation programs
14 during the year ending September 30, 1994?

15 A: The total cost incurred by Peoples in connection with its
16 approved energy conservation programs for the year ending
17 September 30, 1994 was \$6,467,967.

18

19 Q: What is presented on Schedule C-1 of Exhibit 12 (VIK-2)?

20 A: Schedule C-1 presents a summary of the calculation of
21 Peoples' ECCR cost recovery factors.

22

23

DIRECT TESTIMONY OF VERNON I. KRUTSINGER

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Page 7 of 7 presents the monthly calculation of the interest provision associated with the true-up or the same period.

Q: Have you prepared schedules required for the calculation of Peoples' proposed conservation adjustment factors to be applied during billing periods beginning on April 1, 1995 and continuing through March 31, 1996?

A: Yes. These calculations are summarized on Schedule C-1 of Exhibit 12 (VIK-2).

Q: What are the ECCR factors that Peoples is requesting authority to apply for the period April 1, 1995 through March 31, 1996?

A: Schedule C-1 shows the estimated ECCR revenues and ECCR adjustment factors by rate class for the period April 1, 1995 through March 31, 1996.

Q: Does this conclude this part of your prefiled direct testimony regarding Peoples' requested ECCR costs?

A: Yes, it does.

1 MR. WRIGHT: And I would also like to request
2 at this time that the exhibits designated now 11 and 12
3 following the numeration in the Prehearing Order be
4 marked for identification.

5 COMMISSIONER DEASON: Okay. They are
6 identified as Exhibits 11 and 12.

7 (Exhibit Nos. 11 and 12 marked for
8 identification.)

9 MR. WRIGHT: Thank you.

10 COMMISSIONER DEASON: And you tender the
11 witness for cross examination?

12 MR. WRIGHT: Yes, I do.

13 COMMISSIONER DEASON: Questions from any of
14 the utilities companies? Mr. Howe?

15 Staff?

16 MS. ERSTLING: Okay.

17 CROSS EXAMINATION

18 BY MS. ERSTLING:

19 Q Hello, Mr. Krutsinger.

20 Let me first ask you: Are you aware of the
21 provisions of Chapter 366.82 of the Florida --

22 A Yes, I am.

23 Q Are you aware that Section 366.82(3) requires
24 prior approval by the Commission when a utility modifies
25 or discontinues a plan which was approved at an earlier

1 time?

2 A Yes, I am. At the time that I basically made
3 the decisions that involved the program in question, I
4 wasn't specifically as familiar with that as I am today.

5 Q Okay. If would you like, I can give you a
6 draft of that section at this time.

7 If you will look down into Section 3 on that,
8 you will note that it starts off with: "Following
9 adoption goals pursuant to Subsection 2, the Commission
10 shall require each utility to develop plans and programs
11 to meet the overall goals within its service area."

12 It then goes forward and explains all the
13 loans and the collection. And it goes down, you will
14 notice on your sheet, there's some highlighted material.
15 Would you please read that highlighted material?

16 A Yes. It says, "Prior approval by the
17 Commission shall be required to modify or discontinue a
18 plan, or a part thereof, which has been approved."

19 Q Thank you. Can you tell me if Peoples Gas
20 System filed a request for modification to its
21 conservation plan on January 18, 1994?

22 A Yes, we did do that.

23 Q Can you tell me if that request related to
24 Peoples Residential Home Builder Program?

25 A Yes, it did.

1 Q Did Peoples' request involve the incentive
2 payments allowable for space heating and water heating?

3 A Yes, they did.

4 Q At the time Peoples filed its request, did the
5 Company's approved home builder program only allow the
6 payment of \$500 to builders and developers when both
7 water heating and space heating were installed in
8 combination?

9 A That's correct.

10 Q At the time that Peoples Gas filed its
11 request, did the home builder program require both water
12 heating and space heating be installed in combination
13 before an \$85 incentive could be paid for a range and/or
14 a dryer outlet?

15 A Yes, it did.

16 Q In its January 18, 1994, request, did Peoples
17 seek to change its incentive payment from \$500 for both
18 water heating and space heating to \$250 for either
19 application?

20 A Yes, it did.

21 Q Did the Commission approve Peoples' request
22 for modification on May 3, 1994?

23 A Yes, it did.

24 Q Isn't it true that even after the Commission
25 approved the program modification to the home builder

1 program, the provision that both water heating and space
2 heating be installed in combination before an \$85
3 incentive for a range and/or a dryer outlet remained
4 unchanged?

5 A Was the question "prior to?"

6 Q No. The question is that after the -- we gave
7 approval for the change of \$250 for each application,
8 did the provision that the water heating and space
9 heating be installed in combination before an \$85
10 incentive for a range or a dryer outlet? Did it remain
11 unchanged, that provision?

12 A That's not my interpretation of it.

13 Q What is your interpretation of it?

14 A My interpretation is that if a customer
15 installed a space heater, that they would be allowed to
16 also get the allowance for the piping to a range and the
17 dryer.

18 Or if they decided to install a water heater,
19 that they would be able to take the other two options as
20 well.

21 Q Can you cite to any portion in the order that
22 specifically allowed that interpretation?

23 A I don't have a copy of the order with me.

24 Q We do not have -- Commissioner Deason, we do
25 not have a copy down here. Can we take a break to get a

1 actually approved and paid in April and May.

2 Q Pardon me, would you say it again, please?

3 A Were paid in April and May. Approximately a
4 little over \$33,000 out of the 46,000 was paid in the
5 months of April and May.

6 Q All right. So what you are saying then --
7 because my next question was for the period October 1993
8 through April 1994 -- would you agree that Peoples paid
9 incentives of a total of \$47,490 which did not meet the
10 criteria for the program in place at that time?

11 A Yes. Technically, I guess that is true. And
12 the real reason for that is that I felt like it was a
13 very minor change in the modification of an existing
14 approved program. And I thought it was within my
15 managerial discretion to make that minor change. The
16 total amount in question is less than 1% of our
17 expenditures in our overall builder program.

18 Q I understand where you are going with that,
19 but my question was specifically, "Was it done?"

20 A Yes.

21 Q And would you agree it was done contrary to
22 Section 366.82(3) which you read earlier?

23 A Technically, yes, I do.

24 MS. ERSTLING: That's all. We have not got
25 the copy of that order yet.

1 It's not necessary. We'll just go forward.

2 Thank you.

3 COMMISSIONER DEASON: Commissioners,
4 questions?

5 Redirect?

6 REDIRECT EXAMINATION

7 BY MR. WRIGHT:

8 Q Mr. Krutsinger, how many residential
9 installations were there during the time period in
10 question?

11 A There were 124 of them.

12 Q And where were these?

13 A 120 of them were in Palm Beach Gardens. And I
14 don't recall where the others were, but they were in
15 Central Florida. And the original request for
16 modification of the programs came from our Palm Beach
17 Gardens division. It was a request that was generated
18 by the relationships that were being developed by the
19 builders down there, and they had requested that they be
20 able to do water heating and ranges and dryers on the
21 program, which is what initiated the modification for
22 the program.

23 Q You say that the builders wanted to be able to
24 do just water heating, ranges and dryers and get the
25 piping and bedding allowances before that?

1 A Yes. Our current program is included. Before
2 the modifications, it was water heating and heating were
3 required to be able to get any incentive at all. They
4 were doing business with another utility in that area
5 that had, for many years, had water heating or heating,
6 and they were used to that. And they asked us for the
7 same type of incentives.

8 I felt that it was a minor change or
9 modification to our existing approved program, and it
10 was one where I felt like it was a good business
11 decision; that it was cost-effective to the ratepayers
12 and to the participants in the programs.

13 Actually, because of all of those issues and
14 the fact that when I recognized it, I did call and I
15 discussed it with the Staff and it seemed to me that,
16 the signals that I got back, was that it was kind of a
17 nonevent as I -- and they did tell me that I needed to
18 make it a formal approval, but I kind of felt like that
19 was just to dot all the "Is" and cross all the "Ts".

20 So no one really told me not to do it, I
21 guess, is what is the key. So in my mind I approved
22 going ahead with it. And the initial filing that we
23 made, I didn't even send in any cost-effectiveness
24 analysis, and I thought it was just a rubber stamp idea.

25 So the reason I brought up the fact that

1 two-thirds of the costs were done in April and May, or
2 paid in April or May, is I thought it was a timing
3 issue, that it would go through basically rubber
4 stamped. It just took longer to get it done than what I
5 thought it would take. The relationships with the
6 builders at the time were either do it now or lose the
7 opportunity to do it at all.

8 So, basically, it was a decision that I made.
9 I felt like it was a good business decision. I thought
10 it was consistent with what our current approved
11 programs were. It was consistent with what a utility
12 adjoining our service territory was doing, and so I
13 thought it was a good business decision, which is why I
14 went -- you know, why it happened the way it did.

15 I really thought that the approval would take
16 place before any of the allowances would hit. And as I
17 said, two-thirds of them were paid basically after I was
18 pretty well assured that it was -- you know, I had the
19 opinion of Staff, and so forth, which was positive.

20 So it did turn out to be cost-effective, and I
21 felt like it was a decision that was within my
22 managerial discretion to make.

23 Q Excuse me. You've been with Peoples Gas
24 Systems, chief energy conservation officer or manager
25 for three to four years. Is that about right?

1 A It seems that, but it's only been about two
2 and-a-half years.

3 Q Okay. I think 1994 counted for at least two
4 years --

5 A Had to.

6 Q -- experience for most of us. In your opinion
7 is the modification that you implemented consistent with
8 your Peoples/Commission-approved energy conservation
9 program?

10 A Yes, it is.

11 Q Is it consistent with the intent and purpose
12 of that program?

13 A I believe it is consistent with the intent.
14 And I think the approval of it is verification of that.

15 Q Is it consistent with the purposes of FEECA
16 and the Commission's policies regarding energy
17 conservation?

18 A Yes, I believe it is. And we've been
19 encouraged, I feel -- you know, the number that's
20 battered about is that there's 3000 electric meters
21 turned on a week in the state of Florida; how many of
22 those do you think you can get? So we've been
23 aggressively trying to do that.

24 Q In questioning by the Staff, you were asked
25 about a particular sentence from Section 366.82(3) of

1 the statutes that indicates that prior approval is
2 required for modification or termination of parts of
3 conservation plans.

4 You responded, I believe, that technically you
5 thought that the modification you implemented was one
6 that did require Commission approval. Did you have
7 anything that you wanted to add to your response?

8 A Well, I think what I really -- if that's what
9 I said, I don't recall. But what I meant was that I
10 think that technically it should have required approval,
11 and although I had not spent a lot of time reading that
12 particular sentence and asking myself if I was abiding
13 by it, we did seek approval and we -- you know, the
14 Staff, at least, was aware of it, of what we were --
15 they were aware that we were going to do it. I don't
16 know that they were aware that we were in the process of
17 implementing it. In the future I'll make those kind of
18 statements more clear and have a clearer understanding
19 of where we're going.

20 Q If the Commission were to disallow the subject
21 \$47,490, what would the net effect be on Peoples'
22 shareholders and Peoples' ratepayers?

23 A If they were to make that decision, I guess
24 the shareholders would be paying for that which was
25 disallowed. And the ratepayers will have benefited and

1 the people that participated in it will be benefiting
2 from that, so --

3 MR. WRIGHT: That's all I have. Thank you.

4 Thank you, Mr. Chairman. And, Mr. Chairman,
5 thank very much for allowing my witness to get on the
6 stand in such a timely way.

7 COMMISSIONER DEASON: Very well. Exhibits?

8 MR. WRIGHT: I move 11 and 12, Mr. Chairman.

9 COMMISSIONER DEASON: Without objection,
10 Exhibits 11 and 12 are admitted.

11 (Exhibit Nos. 11 and 12 received in evidence.)

12 COMMISSIONER DEASON: Thank you,
13 Mr. Krutsinger.

14 WITNESS KRUTSINGER: Thank you.

15 (Witness Krutsinger excused.)

16 - - - - -

17 COMMISSIONER DEASON: Okay. That concludes
18 all the witnesses.

19 MS. ERSTLING: Yes, sir, that does.

20 COMMISSIONER DEASON: And we do have a generic
21 issue, Issue No. 4, which we allowed parties to either
22 file additional testimony or else provide a brief
23 argument?

24 MS. ERSTLING: That is correct, and there was
25 no additional testimony filed, so those who are here

1 today are prepared to give oral argument.

2 COMMISSIONER DEASON: Okay. And I believe the
3 Prehearing Order sets a five-minute limit per party?

4 MS. ERSTLING: That is correct.

5 COMMISSIONER DEASON: Okay. Mr. Guyton are
6 you prepared?

7 MR. GUYTON: I am.

8 Mr. Deason, before I start I'd like to not to
9 the bench's attention that Mr. Beasley, Mr. McGee and I
10 have tried to consolidate our comments. Each of us will
11 speak; we will stay collectively within 15 minutes.

12 COMMISSIONER DEASON: Very well.

13 MR. GUYTON: Florida Power & Light Company
14 seeks recovery of \$286,333 of expenses for its
15 participation in the recent conservation goals
16 proceeding. These are costs over and above typical
17 conservation common expenses or administrative expenses,
18 and they're for three category of costs: Outside
19 analytical and witness fees; duplicating and shipping
20 costs, and travel, lodging and logistics costs. Florida
21 Power & Light does not seek recovery of its attorney
22 fees for that proceeding.

23 There are two simple and, I think, compelling
24 reasons that these costs should be recovered through
25 ECCR. First, FEECA explicitly envisions proceedings for

1 setting conservation goals as part of an overall process
2 of implementing conservation plans. And FEECA further
3 provides and creates for a cost-recovery mechanism for
4 the cost of plan implementation. The second reason is
5 that FPL's customers benefited from the expenditures.

6 The operative statute here is Section 366.82.
7 It sets forth an outline of the entire process for
8 implementing conservation plans. Subsection 2 sets
9 forth the essential first step: That is the
10 establishment of conservation goals.

11 Subsection 3 continues the process with the
12 submission and ultimate approval of conservation plans
13 designed to meet the established goals. And in
14 Subsection 5 of the statute provides for a cost-recovery
15 mechanism for conservation plan implementation.

16 Reading these three subsections of 366.82
17 together as you should, as a whole, the only reasonable
18 conclusion is that there is a statutory process for
19 implementing conservation plans, and an essential part
20 of that process is establishing conservation goals. And
21 that the cost of the entire process of plant
22 implementation is to be separately recovered.

23 Now Staff offers to you an alternative, and I
24 would submit, an extremely narrow interpretation of
25 366.82. They ask you to focus on a phrase in Subsectino

1 5. The phrase is, "Cost for implementation of its
2 plan," and interpret that as not including the cost for
3 the other statutory proceedings mandated in the very
4 same statute.

5 Staff's narrow interpretation should fail for
6 two reasons. First, it ignores the remainder of 366.82
7 with its explicit recognition about goal setting and
8 plan approval as part of conservation plan
9 implementation. Second, it ignores a clear expression
10 of legislative intent in 366.81 that all the provisions
11 of FEECA, including 366.82, are to be liberally
12 construed, not constrictively or narrowly interpreted.
13 Simply stated, FEECA intends and envisions the recovery
14 of these costs.

15 Now, with all due respect to Staff, we think
16 they are simply wrong when they state that the
17 Commission has allowed for the recovery of conservation
18 goals expenses in FPL's base rates. There were no
19 conservation goals expenses in the 1984 or 1985 test
20 periods last used to set FPL's base rates. Now, you
21 reduced FPL's base rates in 1990 in the tax saving
22 docket using 1989 as a base year. Similarly, there were
23 no conservation goals expenses in 1989 in the
24 calculation, or the recalculation of base rates.

25 The fact of the matter is that these costs for

1 establishing conservation goals are not currently
2 recovered in FPL's base rates, and unless they are
3 recovered through ECCR, they will not be recovered by
4 the Company.

5 Staff also poses a legal argument that Rule
6 25-17.015(1) prohibits these costs. Their analysis,
7 once again, is faulty. That rule authorizes
8 conservation cost recovery, quote, "as provided in
9 Section 366.82(5)."

10 As I've already covered, that statute
11 authorizes and envisions this type of recovery.
12 However, in the last ECCR hearing, FPL projected, FPL
13 petitioned for and FPL was granted recovery of
14 conservation administrative costs that were ultimately
15 expended in the goals proceeding. In this proceeding,
16 FPL once again petitioned for recovery as part of its
17 true-up filing for reasonable and prudent unreimbursed
18 costs for its conservation goals proceeding. And that's
19 part of its overall plan implementation expenses. There
20 is no need, as suggested by Staff under this rule, that
21 FPL had to file a separate petition isolating this
22 portion of its planned implementation costs. It's asked
23 for recovery of all its plan implementation cost in both
24 its projection and its true-up filing as required by the
25 rule.

1 Now, from a policy perspective these costs
2 should be allowed because they work to the benefit of
3 FPL's customers.

4 COMMISSIONER DEASON: Mr. Guyton, your time
5 has expired. I'm going to ask you to wrap it up.

6 MR. GUYTON: If I might, Mr. Beasley and
7 Mr. McGee have yielded me a minute or so of their time.

8 COMMISSIONER DEASON: Very well.

9 MR. GUYTON: They were incurred by FPL in
10 their efforts to avoid its customers having to purchase
11 conservation that was not needed to serve its customer
12 needs, and conservation which would have raised its
13 customers' rates.

14 Now, FPL did not choose to expend these funds.
15 They became necessary business expenditures given the
16 nature of the proceeding. Most of the analytical and
17 witness fees were spent to rebut a seriously flawed
18 study, an employment impact study offered by the
19 Department of Community Affairs. It was full of errors,
20 as our experts showed. It had to be addressed. It was
21 out there designed to encourage you to embrace TRC and
22 to purchase conservation that would have raised
23 customers' rates.

24 Copying costs also proved to be fairly
25 expensive. And lastly, lodging, travel and logistic

1 expenses were fairly significant as well. But you have
2 got to look at that in the context of a hearing. FPL
3 faced 27 adverse witnesses. FPL had to present an
4 extensive rebuttal case in response to that, and there
5 was an intermittent scheduling of this trial over five
6 weeks, on again, off again, throughout June and into
7 July with people traveling back and forth from Miami to
8 Tallahassee. And as a result, we had a number of people
9 literally living out of their suitcases for an extended
10 period of time.

11 Regardless of the outcome of the proceeding,
12 FPL's customers were well served by FPL's advocacy, not
13 to only purchase the conservation that was needed and
14 wouldn't raise rates. I think the choice is clear here.
15 These costs are envisioned to be recovered under FEECA.
16 They benefited FPL's customers; they should be recovered
17 through ECCR.

18 Thank you.

19 COMMISSIONER DEASON: Mr. Beasley?

20 MR. BEASLEY: Commissioners, I agree with the
21 comments Mr. Guyton has presented as far as policy and
22 legal basis for allowing these costs to be recovered. I
23 have a few additional thoughts.

24 The sole expense that we're asking the
25 Commission to approve for cost-recovery related to the

1 goals docket for Tampa Electric Company is the cost of
2 outside consultants. And that was Synergic Resources
3 Corporation, with which you are all familiar from the
4 goals proceeding. The amount was some \$79,000. This is
5 an otherwise unreimbursed cost to Tampa Electric.

6 SRC is an acknowledged expert in the area of
7 evaluating conservation measures, and that's exactly
8 what they did for Tampa Electric. It was an enormous
9 task to evaluate 110 different measures across three
10 residential and ten commercial segments, but they did it
11 in a timely fashion, which enabled Tampa Electric to
12 adhere to the tight schedule that you had to complete
13 that docket.

14 In the past the Commission has allowed
15 conservation-related developmental cost to be recovered,
16 and we don't think that it has been presented here any
17 valid reason to disallow it in this instance.

18 I think accepting Staff's position as stated
19 in the Prehearing Order would perhaps signal the
20 utilities not to take the subject of conservation
21 seriously, and I don't think that would be a good
22 signal.

23 The Staff's position, which we saw for the
24 first time Monday afternoon, is not really supportive.
25 There are no Staff witnesses here even though the

1 position that they state is predicated on certain
2 factual assertions with which Tampa Electric disagrees.

3 They say in their position that the efforts of
4 field auditors to audit the goals development
5 expenditures produce spotty results. And if they had a
6 witness here today to testify, that witness would have
7 to respond that Tampa Electric, at least, was told that
8 their response to the audit request was the best of any
9 of the utilities. Unfortunately, we didn't know what
10 this issue -- or what this position was going to be
11 until Monday afternoon, so we don't have testimony to
12 that effect. I do have an affidavit of a company
13 representative. I have it available. But I just want
14 to stress that we can't respond to factual bases for
15 positions like this when we don't see them until two
16 days before the hearing.

17 As the bottom line, Commissioners, we submit
18 to you there's no valid policy or legal basis for
19 disallowing these legitimate conservation development
20 costs which have not been reimbursed elsewhere. We ask
21 you to recognize that the SRC consulting work which
22 Tampa Electric retained enabled it to fully and timely
23 respond to the DSM measure evaluation which was required
24 of the utilities in the goals proceeding. It's an
25 essential cog in developing programs with which to go

1 forward as we are obligated to do, and I would urge that
2 you allow those expenditures.

3 Thank you.

4 COMMISSIONER DEASON: Mr. McGee?

5 MR. MCGEE: I would also concur with the
6 comments of Mr. Guyton and Mr. Beasley, and I would add
7 briefly that I think the fairly narrow interpretation of
8 recoverable costs the Staff is abdicating now is not
9 only inconsistent with FEECA as Mr. Guyton has pointed
10 out, I think it's inconsistent with the practice this
11 commission has engaged in really since the time that the
12 conservation cost recovery clause was first adopted.

13 As Chairman Deason I'm sure recalls, in rate
14 cases consistently through the '80's and early '90's,
15 utilities have been required to exclude from their rate
16 case cost conservation, as well as fuel cost, but
17 particularly with respect to conservation. I know in
18 Florida Power's four rate cases in the '80s and one in
19 the '90s, all Florida Power's conservation costs were
20 excluded. And those in particular -- and I think it's
21 somewhat a valid comparison with the cost we are
22 concerned with here, the cost of participating in these
23 ECCR hearings were excluded by Florida Power in
24 calculating the cost to be submitted for recovery
25 through base rates. Consequently, because those costs

1 weren't reflected in base rates, those incremental and
2 relatively minor costs of participating in these
3 hearings have consistently been submitted by Florida
4 Powe as legitimate conservation administrative costs.
5 Audits of those costs have produced no exceptions. And
6 I think over a period of going on 15 years now we have
7 established somewhat of a Commission practice.

8 I, from my standpoint anyhow, can't see any
9 legitimate distinction between the kind of
10 administrative costs that the utilities incur in
11 participating in these Commission-mandated hearings and
12 the Commission-mandated hearings that have to do with
13 the adoption of conservation goals, as well as the
14 Commission-mandated hearings that we are currently
15 engaged in terms of approving the plan and programs of
16 each of the utilities.

17 I think -- and I think it's a reasonable view
18 consistent with FEECA, that the adoption of goals, the
19 development of plans and the implementation of program
20 plans -- of planned programs, I should say, are all part
21 of the overall process necessary to fully comply with
22 FEECA, and it's an artificial distinction to try and
23 ferret out one narrow area and say that those can be
24 recovered, when it's inconsistent with the way the
25 Commission has treated those costs in terms of excluding

1 them from base rates over a significant period of time.
2 I think it's fairly late to be proposing a modification
3 of a practice that's worked well for the Commission and,
4 I think, satisfies the test of fairness.

5 Thank you.

6 COMMISSIONER DEASON: Thank you. Mr. Howe?

7 MR. HOWE: Let me begin by saying I do not
8 agree with Mr. Guyton, I do not agree with Mr. Beasley,
9 and I do not agree with Mr. McGee.

10 Commissioners, I think we need to recognize
11 that what's happening with utility regulation right now
12 is -- I think we are seeing a change in utility
13 regulation.

14 We aren't having rate cases. We aren't
15 setting base rates. The utilities are instituting
16 programs to cut their costs and to get ready for
17 competition. And in the absence of rate cases,
18 utilities are seeing that if they want to request
19 additional dollars, they've got to find some way to
20 pigeon hole their requests into existing cost recovery
21 mechanisms. And I would suggest that's what we have
22 here.

23 Instead of a projection -- instead of an
24 advance request for approval of a conservation program,
25 receipt of approval, then incurrence of cost and receipt

1 of revenues and hopefully matching them up on a
2 projected basis, we have an after-the-fact realization
3 that that goals docket the utilities just participated
4 in can be construed as a conservation cost, which was
5 subject for a recovery -- subject to a recovery. That's
6 not the program that the Commission has adopted for cost
7 recovery mechanisms. Cost recovery mechanisms in
8 Florida operate prospectively. They operate for
9 volatile costs in the case of fuel where it's generally
10 recognized that you can't consider them in a rate case
11 and set rates fairly, or if you do, you can't avoid
12 setting rates very frequently.

13 Conservation adopted the fuel cost recovery
14 mechanism, but it adopted it with the language in
15 Section 366.82(5) that each utility over which the
16 Commission has rate-setting authority shall estimate its
17 cost and revenues for audits, conservation programs and
18 implementation of its plan for the immediate following
19 six-month period. And it goes on then to say how actual
20 data will be matched with projected data and true-ups
21 will be allowed.

22 What the Company has requested in this case
23 simply doesn't fit. Now, Mr. Guyton made the
24 statement -- and I believe it was reinforced by
25 Mr. McGee -- that these costs, such as the goals docket,

1 are not currently recovered in base rates, and to that I
2 say nonsense.

3 This Commission's surveillance program isn't
4 based on the costs that were incurred or considered in
5 the utilities' last rate case. They are based on the
6 utilities' current cost, its current investment. You
7 take their total revenues, you subtract their expenses,
8 and you see if they are earning a fair return on their
9 investment.

10 Each of these utilities is currently earning
11 within its authorized range of return of equity. It is
12 by definition currently recovering all of its costs.
13 Whether it was considered in the last rate case or not
14 is a meaningless distinction. As long as that utility
15 is earning within its authorized range, it is recovering
16 all of its cost.

17 Now, I would also point out to you,
18 Commissioners, all three parties portrayed their
19 expenses associated with the conservation goals as being
20 obviously within the conservation statute. I believe
21 you will find, though, that Florida Power & Light
22 requested this and the other two kind of jumped on the
23 bandwagon. This wasn't obvious to anybody.

24 This is strictly an after-the-fact request to
25 recover some costs in the absence of base rate cases.

1 What you are seeing now and what you are going to see
2 for the foreseeable future is utilities managing their
3 earnings by trying to find mechanisms to recover
4 specific costs under the existing cost recovery
5 categories. And there's very few things that can't be
6 pigeon holed as either fuel, purchased power,
7 conservation or environmental. And I would suggest you
8 realize the process, realize that cost recovery
9 mechanisms should be narrowly construed to achieve their
10 intended purpose and realize that cost of the utilities'
11 participation in the conservation goals docket does not
12 satisfy the program the Commission has adopted for
13 conservation costs.

14 Thank you.

15 COMMISSIONER DEASON: Is it Staff's intention
16 to participate in oral argument?

17 MS. ERSTLING: If it's your pleasure, I could
18 do this as an oral recommendation if this is going to be
19 a bench decision and bring Staff's oral recommendation
20 at this time rather than oral argument.

21 COMMISSIONER DEASON: Well, let me ask my
22 fellow Commissioners. We are going to come back
23 tomorrow for 01 anyway; is it your desire to proceed
24 with hearing Staff's recommendation and proceed with a
25 decision today? And I think we also have to dispose of

1 the stipulated issues in this docket as well as -- is
2 that correct?

3 MS. ERSTLING: Yes.

4 COMMISSIONER DEASON: We can do that now, or
5 we can do it tomorrow, whatever your pleasure is.

6 COMMISSIONER KIESLING: I just as soon do it
7 today while it's fresh in my mind.

8 COMMISSIONER DEASON: Okay. You may
9 proceed -- let's do this. Before we get to your
10 recommendation, let's dispose of all the stipulated
11 issues, and that will leave just Issue 4 and Issue 13,
12 correct?

13 MS. ERSTLING: And Issues 1 and 2 will just
14 follow by the fact, that's correct.

15 COMMISSIONER DEASON: It will fall out, as is
16 the normal custom.

17 MS. ERSTLING: Right.

18 COMMISSIONER DEASON: I take it then you are
19 moving approval of all stipulated issues realizing those
20 issues which will have fallout calculation dependent
21 upon 4 and 13 may change accordingly?

22 MS. ERSTLING: That is correct.

23 COMMISSIONER DEASON: Okay. Commissioners, is
24 there any objection to the approval of the stipulated
25 issues?

1 COMMISSIONER JOHNSON: Move it.

2 COMMISSIONER KIESLING: Second.

3 COMMISSIONER DEASON: Okay. Show that the
4 stipulated issues in the 02 docket are approved. That
5 leaves Issue 4 and Issue 13 and then the fallout
6 calculations.

7 MS. ERSTLING: We have entered earlier all the
8 prefiled testimony.

9 COMMISSIONER DEASON: Yes, that is correct.
10 And all the exhibits have been identified and admitted
11 according to my records. That would be Exhibits 1
12 through 17?

13 MS. ERSTLING: That is correct. Okay.

14 COMMISSIONER DEASON: You may proceed now as
15 to your recommendation on Issue No. 4.

16 MS. ERSTLING: I would like to preface my
17 remarks by saying that Staff is in no way making any
18 judgments on the prudence of any expenses related to the
19 conservation goal. Our primary concern today is whether
20 or not it's appropriate to recover those expenses
21 through the conservation cost-recovery clause.

22 As I previously stated in Staff's position in
23 this issue, the Commission opens many generic dockets on
24 various regulatory matters which are litigated in the
25 normal way. The conservation goal dockets, the premise

1 that's been put forth by the utilities, is that if it
2 relates to conservation, then automatically the expenses
3 should be recovered under ECCR. This is quite obviously
4 a broad interpretation of Section 366.82(5). The
5 statute specifically provides for the recovery of the
6 cost of audits, conservation programs and the
7 implementation of a utilities' conservation plan.

8 The purpose of the conservation goals docket
9 litigation was to establish conservation goals. Based
10 on these goals, the utilities would then institute
11 specific programs. In order to determine appropriate
12 programs, this Commission in the past has allowed
13 recovery of research and development for conservation
14 programs. Both the development of conservation programs
15 and the implementation of programs may be recovered
16 under ECCR.

17 This incentive appears to have been provided
18 by the legislature specifically to encourage
19 conservation through the implementation of specific
20 conservation programs. The statute does not provide for
21 recovery of all conservation-related costs.

22 Even more troubling is the fact that for the
23 most part the utilities did not petition the Commission
24 for recovery of conservation goals docket expenses.
25 Were it not for the diligence of Staff, these expenses

1 would have been buried among program expenses.

2 Staff's persistence resulted in the company
3 supplying the amounts of the incremental expenses
4 attributable to the conservation goals dockets through
5 the period of September 1994. As was mentioned before
6 about the field audits, let me say that because the
7 field auditors could not sufficiently identify among
8 these conservation programs the amounts that were
9 purportedly to be to conservation goals docket, in the
10 time allotted they had to resort to asking the utilities
11 to provide them with the amount of incremental expenses
12 that were put into these program costs. And the
13 utilities themselves have provided the amounts that have
14 been shown on these documents except for the adjustment
15 on -- I believe it was Florida Power & Light to 286,233.
16 So that these were so hard to discern that they were
17 actually conservation goals docket expenses that we had
18 to take the figures supplied by the utility.

19 Although the amounts may not seem very large,
20 the conservation goals docket will be recurring
21 expenses. And I was happy to hear that -- and I believe
22 it was agreement among all of the utilities -- if not,
23 perhaps I'm wrong -- but that they were not looking to
24 recover attorneys' expenses because that was one element
25 that we were seriously concerned about; that it could

1 run over the periods of time in an ongoing basis into
2 multiple millions of dollars.

3 If we are limiting this discussion to the
4 incremental costs, we are certainly reducing the amount
5 that could be possibly recovered. However, we do not
6 believe any should be. Presently, the way Rule
7 25-17.015 of the Florida Administrative Code proceeds to
8 provide that a utility may seek to recover its cost for
9 energy conservation programs by first filing a petition
10 setting forth estimates of those reasonable and prudent
11 unreimbursed costs projected to be incurred by a
12 specific program less any estimated revenues. Even the
13 rule does not provide for or consider the fact that
14 conservation goals docket, a broader basis would be
15 recovered and doesn't do it.

16 The statute did not intend for participation
17 in docketed matters to be recovered through ECCR. And
18 even if it did, at a minimum, Rule 25-17.015(1), if it
19 was extended beyond the programs, if we were looking at
20 setting forth and letting the Commission know in advance
21 what projected costs might be, would require the
22 utilities to file a petition specifically requesting
23 recovery of the expenses.

24 In the present docket, the utilities fail to
25 petition the Commission to pass their specific costs

1 attributable to the numeric goals docket through ECCR,
2 nor was the Commission ever given an estimate of the
3 projected costs involved. Costs for the goals docket,
4 such as cost of SRC studies, review of them, mailing and
5 payroll expenses were buried in the common costs for
6 maintaining conservation programs. The companies had an
7 obligation and a responsibility to inform the Commission
8 that they intended to request recover of these costs.
9 The fact that they didn't and the cost for the
10 conservation goals docket were intermingled with
11 conservation program costs raises a question of intent.

12 We should not allow the utilities' failure to
13 comply with the rule to now be used as an excuse to
14 claim ignorance of the issue and the amounts in
15 question. Staff's very inquiries gave the utility
16 notice that these charges were at issue.

17 Finally, let me say, because I have not gotten
18 an assurance from the attorneys here now, that the
19 attorneys' fees related to the conservation goals docket
20 clearly are not an appropriate charge to these accounts.
21 But we must consider when we are looking at this that
22 these fees may be recoverable, unless specifically
23 included.

24 Conservation goals docket expenses, including
25 legal fees, were related to the regulatory litigation

1 and not program expenses. We believe that the
2 appropriate place for them to be recovered is in rate
3 base, not as a direct recovery from the ratepayer.

4 Thank you.

5 COMMISSIONER DEASON: Questions,
6 Commissioners?

7 Let me ask Mr. Beasley a question. I believe
8 Mr. McGee and Mr. Guyton represented that these expenses
9 that they are seeking a recovery of are in no way
10 included in their base rates. What is the situation for
11 TECO?

12 MR. BEASLEY: Commissioner, I don't believe
13 this was. This was an item of expense that was incurred
14 late in the process in the goals docket.

15 COMMISSIONER DEASON: I guess my question is:
16 Are there any conservation litigation-type expenses
17 already reflected in your base rates realizing that your
18 base rates were set some years ago.

19 MR. BEASLEY: I don't believe there are, sir.

20 COMMISSIONER DEASON: Further questions,
21 Commissioners?

22 We still have -- Issue 4, which we have now
23 heard oral argument and Staff's recommendation. We
24 still have Issue 13. Is it your desire that we can go
25 ahead and dispose of Issue 4 if you are ready to do so?

1 COMMISSIONER KIESLING: I'm prepared to make a
2 motion on Issue 4, if that's everyone's pleasure.

3 COMMISSIONER JOHNSON: Go ahead.

4 COMMISSIONER KIESLING: Let me just preface it
5 with the fact that I went and read Section 366.82(5), as
6 well as Rule 25-17.015(1), and my reading is consistent
7 with Staff' position that those two sections simply do
8 not contemplate recovery of these type litigation
9 expenses through the conservation cost recovery
10 mechanism. And for that reason, I am moving Staff to
11 deny that recovery.

12 COMMISSIONER JOHNSON: I'm going to second
13 that motion. And I know one of the statements of
14 Florida Power & Light is that Staff's interpretation is
15 too narrow an interpretation given the law. And I
16 thought just the opposite; that theirs was too broad
17 with respect to the argument and the statements put
18 forth. And for that reason, I second the motion.

19 COMMISSIONER DEASON: Okay. We have a motion
20 and a second. Before we actually take the vote, let me
21 say something.

22 This is not an easy question in my mind, and I
23 feel comforted to some extent that you've reviewed the
24 statute and the rule. The difficulty I'm having is that
25 I'm having a problem drawing that bright line between

1 what constitutes planning of programs and what
2 constitutes actual implementation of programs.

3 I think that the setting of conservation goals
4 can be interpreted to be part of the overall planning
5 process necessary to implement specific conservation
6 programs. And I think with that type of interpretation,
7 that the certain costs incurred to participate in
8 conservation goals setting may legitimately be included
9 a recovery in ECCR. But I would make it subject to a
10 number of conditions before I would allow such costs to
11 be recovered through ECCR.

12 First, I would require that it be subject to a
13 specific request identifying the nature of the costs and
14 how those costs relate specifically to conservation. I
15 would require that it be incremental cost only, that it
16 is, in addition to any ongoing expenses that may already
17 be recovered or reflected somehow in base rates. I
18 would require showing that these type costs are not
19 already being recovered in base rates.

20 I also would require that these type costs be
21 excluded from costs included in surveillance reports,
22 and I would also make the costs subject to audit and
23 prudence determination so that there are not unnecessary
24 costs being flowed through the clause.

25 I think that parties participating in

1 litigation have a responsibility to be prudent in the
2 costs that are incurred, and that by allowing some costs
3 to be flowed through, a recovery clause should not be
4 interpreted that a blank check is being written for
5 pursuing those interests in litigation.

6 Subject to all those conditions and with the
7 perhaps liberal interpretation that participation in the
8 conservation docket would be synonymous with planning
9 for specific conservation programs, that would be the
10 basis that I would allow the recovery.

11 But we have a motion and a second. All those
12 in favor say "aye".

13 COMMISSIONER KIESLING: Aye.

14 COMMISSIONER JOHNSON: Aye.

15 COMMISSIONER DEASON: All those opposed nay.
16 Nay for the reasons that I've stated.

17 That disposes of Issue No. 4. Issue No. 13,
18 Staff, do you have a recommendation?

19 MS. ERSTLING: Yes. Our recommendation under
20 Issue No. 13 is that although the utility has felt that
21 they had the managerial right to make these changes, the
22 statute and rule again specifically provide that they do
23 not make these changes prior to approval. And based on
24 this, we would suggest that you go along with Staff's
25 position that we disallow the \$47-plus thousand.

1 COMMISSIONER DEASON: That is the
2 recommendation. Are there questions or a motion?

3 COMMISSIONER KIESLING: I'm willing to make
4 the motion. I think as Peoples' witness aptly pointed
5 out, technically they did not comply with the statute.
6 And I think this is one of those areas where the statute
7 and the intent behind the statute needs to be carried
8 out. I simply do not believe that any incentives that
9 were paid prior to the approval of this program should
10 be recovered and, therefore, I move Staff to deny the
11 recovery through expenses of \$47,490.

12 COMMISSIONER JOHNSON: Seconded.

13 COMMISSIONER DEASON: Okay. A motion has been
14 made and seconded. All in favor say "aye".

15 COMMISSIONER KIESLING: Aye.

16 COMMISSIONER JOHNSON: Aye.

17 COMMISSIONER DEASON: All opposed, "nay".

18 Nay. I don't think that there was that much
19 of a -- I agree that technically there probably was
20 violation. I believe it would be within our discretion
21 to look at the facts of the case. I have looked at
22 those facts. I think that the situation was not a
23 grievous violation.

24 I think that management exercised some
25 discretion in trying to respond to some market

1 conditions, trying to abide by the spirit of FEECA and
2 trying to interpret the Commission's policies. I, in
3 this case, would allow the recovery, particularly
4 recognizing that the Commission did make a finding that
5 these type incentives were cost-effective.

6 I do agree that technically there was a
7 violation. If the Commission does not have the legal
8 discretion to do what I'm saying, I guess I'm at fault.
9 I just feel like the Commission does have great
10 discretion in this circumstance. With the facts that
11 have been provided, I would allow recovery.

12 But that disposes of Issue No. 13.

13 COMMISSIONER KIESLING: May I just --

14 COMMISSIONER JOHNSON: Let me just say because
15 I felt the same way with respect to the facts and their
16 discretion, but I thought we didn't have the discretion
17 as I read the law and was just asked about --

18 COMMISSIONER DEASON: Well, perhaps I'm making
19 a misinterpretation of the law, and perhaps the
20 Commission does not have the latitude which I am
21 seeking, which I think in this case would be the
22 equitable thing to do. But perhaps our hands are tied,
23 and if Staff has any guidance on the interpretation of
24 the statute, I would welcome that. And perhaps
25 Mr. Pruitt may have some thoughts as well.

1 COMMISSIONER KIESLING: Well, may I just also
2 say one thing.

3 COMMISSIONER DEASON: Yes.

4 COMMISSIONER KIESLING: I believe if there is
5 discretion within that statute that I would not want to
6 exercise that discretion to permit recovery, and one of
7 main reasons is because of the witness' acknowledgement
8 that even after he informed Staff of what they wanted to
9 do, he did not tell them that they were already doing
10 it, and that concerned me greatly.

11 If he had come forward right away and said,
12 "Gosh, I didn't know; and we are already putting this in
13 place, and we'll stop until it's approved," but he
14 simply neglected to mention to Staff that they were
15 already doing it when he told them what they were
16 planning. And that suggested to me maybe something a
17 little more difficult than just a mistake.

18 COMMISSIONER DEASON: Ms. Erstling?

19 MS. ERSTLING: Well, reading the statute, if
20 we would read the statute strictly and construe it
21 strictly, it specifically says that a utility must get
22 prior approval before they modify or discontinue a plan.
23 By extension of that, I would say that there was no
24 discretion to allow them to recover for any kind of cost
25 that was out there or any rebate that was out there if

1 they did not have our approval prior to the time.

2 As was said before and as was argued, I
3 believe that if we do not provide for this strict
4 interpretation of the rule that we allow us to be opened
5 up to this type of an argument repeatedly, this, I
6 think, would send a strong signals to all of the
7 utilities that we intended to follow the letter of the
8 statute, and we expected them to come in here to prior
9 approval before they instituted rebates.

10 COMMISSIONER DEASON: Mr. Pruitt, do you have
11 anything to add?

12 MR. PRUITT: Mr. Chairman, on authority to
13 interpret statutes, a recent case I just read the other
14 day, in 647 So.2d 129, the District Court says:
15 "Administrative agencies have the authority to interpret
16 the laws which they administer, but such interpretation
17 cannot be contrary to clear legislative intent." A
18 different case, it's in the same book reported on Page
19 317 says, "An agency is entitled to a deference when
20 interpreting statutes within the area of administration,
21 especially those involved in agency expertise or issues
22 of public policy."

23 So unless there is a public policy question
24 involved or unless there is some agency expertise that
25 I'm not familiar with, I think Staff's recommendation is

1 correct.

2 COMMISSIONER JOHNSON: I think that the law is
3 painfully clear, and it doesn't give much room for
4 interpretation. And the rationale as cited by Staff
5 with respect to the prior approval, if we begin to allow
6 these exceptions in this instance, we are going to have
7 to deal and litigate with when and what they meant.

8 But the law is pretty clear. And if we send
9 that direction now, that you understand that you need
10 prior approval before this, then I think that we can
11 avoid this issue time and time again. So it doesn't
12 change my vote.

13 COMMISSIONER DEASON: Well, the decision
14 stands. Staff's recommendation is approved on Issue 13.

15 I believe that disposes of all issues in the
16 02 docket?

17 MS. ERSTLING: That is correct.

18 COMMISSIONER DEASON: And therefore --

19 MS. ERSTLING: I just want some
20 clarifications.

21 MR. GUYTON: Commissioner Deason?

22 COMMISSIONER DEASON: Hold on just a second.

23 MS. ERSTLING: In the approval of Issue No. 4,
24 I am making the assumption that the factors will change
25 based on the disallowance of those particular expenses

1 that were noted in the Prehearing Order.

2 COMMISSIONER DEASON: And that, I take it,
3 would be a mathematical calculation of the recovery
4 practice.

5 MS. ERSTLING: That's correct. There is a
6 question, I wanted to point out, that we did not -- when
7 the Issues 1 and 2 were there, we did not show as an
8 exception these particular figures that were into the
9 amounts in Issue No. 4. So, though, normally, it is the
10 process that the factors would change, I just want to
11 point out that it was not so mentioned on the Prehearing
12 Order.

13 COMMISSIONER DEASON: Well, perhaps, to be
14 abundantly clear it would be helpful if you brought
15 those factors back to us tomorrow. Can that be done?

16 MS. ERSTLING: Yes. In fact, I have those
17 factors today.

18 COMMISSIONER DEASON: Oh, you already have
19 those calculated?

20 MS. ERSTLING: Yes, I do have those factors.

21 COMMISSIONER DEASON: Okay.

22 MS. ERSTLING: Would you like to hear them
23 now?

24 COMMISSIONER DEASON: Wait just one second.

25 Mr. Guyton, is there something that you wanted

1 to add?

2 MR. GUYTON: I was simply going to point out
3 that the only factor that changed for FPL is the GS-1
4 facto from .233 to .236.

5 COMMISSIONER DEASON: That's because of the
6 rounding?

7 MR. GUYTON: That's because of the rounding.
8 Otherwise, the factors are as originally stated in the
9 Prehearing Order. We have provided that calculation to
10 Staff.

11 MS. ERSTLING: FPC has advised us and we have
12 reviewed it, that there are no changes to their factors
13 whatsoever.

14 However, there are several changes to TECO's
15 factors, and they really amount to basically rounding
16 kind of changes again. On the residential the factor
17 would be .153 cents per kilowatt hour. On the general
18 service nondemand, it would go down to .145. On the
19 general service demand primary voltage, it would go down
20 to .117. On the general service lodge demands, it would
21 go down to .111. On the primary voltage, it would go
22 down to .110. All of these are less than a tenth of a
23 hundred, is it? A hundredth of a cent, I'm sorry.

24 COMMISSIONER DEASON: Those are the changed
25 factors for those that did change. And do I have a

1 motion then to approve those modified factors?

2 COMMISSIONER KIESLING: So moved.

3 COMMISSIONER JOHNSON: Second.

4 COMMISSIONER DEASON: Without objection, show
5 that those are approved.

6 I take it then that disposes of all issues,
7 even the fallout issues in the 02 Docket?

8 MS. ERSTLING: Except for the change that may
9 occur with Peoples Gas. In fact -- it's okay?

10 Then everything is okay.

11 COMMISSIONER DEASON: Very Well. That should
12 dispose of all matters within 02.

13 We will reconvene tomorrow morning at 9:30 to
14 continue the 01 Docket. We will give parties an
15 opportunity to make brief closing statements, and Staff
16 will give their recommendation, and the Commission will
17 dispose of those issues tomorrow.

18 We are recessed for the evening.

19 (Thereupon, the hearing concluded at 5:00
20 p.m.)

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

CERTIFICATE OF REPORTER

3 I, ROWENA NASH HACKNEY, Commission Reporter,

4 DO HEREBY CERTIFY that the Hearing in Docket
 5 No. 950002-EG was heard by the Florida Public Service
 6 Commission at the time and place herein stated; it is
 7 further

8 CERTIFIED that I stenographically reported the
 9 said proceedings; that the same has been transcribed
 10 under my direct supervision; and that this transcript,
 11 consisting of 130 pages, constitutes a true
 12 transcription of my notes of said proceedings.

13 DATED this 16th day of March, 1995.

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STATE OF FLORIDA)
 :
 COUNTY OF LEON)

The foregoing certificate was acknowledged
 before me this 16th day of March, 1995, by Rowena Nash
 Hackney, who is personally known to me.

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Patricia A. Church
 PATRICIA A. CHURCH
 Notary Public - State of Florida
 My Commission No. CC-90785
 Notary Public, State of Florida
 My Commission Expires April 20, 1995
 Bonded Thru Troy Fain - Insurance Inc.