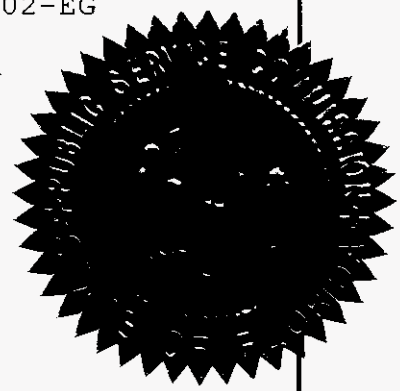
BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of: DOCKET NO. 090002-EG

ENERGY CONSERVATION COST
RECOVERY CLAUSE.
_____/



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PROCEEDINGS:	HEARING
COMMISSIONERS PARTICIPATING:	CHAIRMAN MATTHEW M. CARTER, II COMMISSIONER LISA POLAK EDGAR COMMISSIONER NANCY ARGENZIANO COMMISSIONER NATHAN A. SKOP COMMISSIONER DAVID E. KLEMENT
PLACE:	Betty Easley Conference Center Room 148 4075 Esplanade Way Tallahassee, Florida
DATE:	Monday, November 2, 2009
REPORTED BY:	LINDA BOLES, RPR, CRR Official FPSC Reporter (850) 413-6734

APPEARANCES:

R. WADE LITCHFIELD, ESQUIRE, JOHN BUTLER, ESQUIRE, and KEN RUBIN, ESQUIRE, Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, Florida 33408-0420, appearing on behalf of Florida Power & Light Company.

LEE L. WILLIS, ESQUIRE, and JAMES D. BEASLEY, ESQUIRE, Ausley & McMullen, Post Office Box 391, Tallahassee, 32302, appearing on behalf of Tampa Electric Company.

JEFFREY STONE, ESQUIRE, RUSSELL A. BADDERS, ESQUIRE, and STEVEN GRIFFIN, ESQUIRE, Beggs & Lane Law Firm, Post Office Box 12950, Pensacola, Florida 32591-2950, appearing on behalf of Gulf Power Company.

NORMAN H. HORTON, JR., ESQUIRE, Messer, Caparello & Self, P.A., Post Office Box 15579, Tallahassee, Florida 32317, appearing on behalf of Florida Public Utilities Company.

JOHN T. BURNETT, ESQUIRE, Progress Energy Service Company, LLC, Post Office Box 14042, St. Petersburg, Florida 33733-4042, appearing on behalf of Progress Energy Florida, Inc.

APPEARANCES (Continued):

JOHN W. McWHIRTER, JR., ESQUIRE, c/o McWhirter Law Firm, 400 North Tampa Street, Suite 2450, Tampa, Florida 33602, appearing on behalf of Florida Industrial Power Users Group.

JAMES W. BREW, ESQUIRE, Brickfield, Burchette, Ritts and Stone, P.C., 1025 Thomas Jefferson Street, N.W., Eighth Floor, West Tower, Washington, DC 20007, appearing on behalf of White Springs Agricultural Chemicals, Inc., d/b/a PCS Phosphate - White Springs.

PATRICIA CHRISTENSEN, ESQUIRE, and CHARLES BECK, ESQUIRE, Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, #812, Tallahassee, Florida 32399-1400, appearing on behalf of the Citizens of Florida.

CECILIA BRADLEY, ESQUIRE, Office of the Attorney General, The Capitol PL-01, Tallahassee, Florida 32399-1050, appearing on behalf of the Citizens of the State of Florida.

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

APPEARANCES (Continued):

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

I N D E X

WITNESSES

EXHIBITS

NUMBER:	ID.	ADMTD.
1 through 17	8	8

(A detailed description of exhibits can be found on Comprehensive Exhibit List)

P R O C E E D I N G S

* * * * *

CHAIRMAN CARTER: We move now to the 0 --

MS. BROWN: Two.

MS. FLEMING: Two, 02.

CHAIRMAN CARTER: 02. I should have been checking that off. 02 docket. Staff, you're recognized.

MS. FLEMING: Thank you, Commissioners.

There are, we would like to note for the record that there are proposed stipulations on all issues. And when we get to the actual discussion of the issues, staff would like to address the issues individually.

In addition, we have heard back that all witnesses have now been excused from this proceeding in the 02 docket.

CHAIRMAN CARTER: Okay. Then how would you suggest that we proceed?

MS. FLEMING: I would suggest that we go ahead and move in the testimony into the record for those witnesses, the prefiled testimony which is contained on Pages 4 and 5 of the Prehearing Order.

CHAIRMAN CARTER: The prefiled testimony of the witnesses will be inserted into the record as though

read.

MS. FLEMING: Now with respect to the issues, I just wanted to --

CHAIRMAN CARTER: You want to do the exhibits, do the exhibits last?

MS. FLEMING: Oh, sure. We could go ahead and do exhibits. I'm sorry.

CHAIRMAN CARTER: Okay. Let's do the exhibits.

MS. FLEMING: Staff would ask that Exhibits 1 through 17 be identified as contained on the exhibit list and moved into the record.

CHAIRMAN CARTER: Without objection, show it done.

(Exhibits 1 through 17 marked for identification and admitted into the record.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

TESTIMONY OF LEONOR M. HERRERA

DOCKET NO. 090002-EG

May 1, 2009

Q. Please state your name, business address, employer and position.

A. My name is Leonor M. Herrera, and my business address is 9250 West Flagler Street, Miami, Florida 33174. I am employed by Florida Power and Light Company (FPL or the Company) as Manager of Residential Demand Side Management (DSM) Programs.

Q. Please describe your educational and professional background and experience.

A. I received a Bachelor of Business Administration Degree from Florida International University in 1982 and joined the accounting firm of Deloitte & Touche. I was hired by FPL in 1984 as an accountant and have worked in positions of increasing responsibility in the areas of Accounting, Budgeting, Project Management, Marketing, and Residential and Business Product Support. For the past ten years I have performed in a managerial role.

Q. What are your responsibilities and duties as a Manager of Residential DSM Programs?

A. I am responsible for managing DSM products and services related to FPL's residential customers. This includes overseeing the implementation, development of systems, training and tracking of the various DSM programs offered to residential customers. During 2008, I was also responsible for the same functions for the various DSM programs offered to FPL's business customers.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is (1) to present the actual conservation-related revenues and costs associated with FPL's energy conservation programs for the period January 2008 through December 2008 and (2) to present the net underrecovery for the period January 2008 through December 2008 to be carried forward for inclusion in FPL's 2010 Energy Conservation Cost Recovery (ECCR) factors.

Q. Have you prepared or had prepared under your supervision and control an exhibit?

A. Yes. I am sponsoring Exhibit LMH-1, which is attached to my testimony and consists of Schedules CT-1 through CT-6 and Appendix A. Appendix A is the documentation required by Rule 25-17.015(5), Florida Administrative Code, regarding specific claims of energy savings in advertisements. While I am sponsoring all of Exhibit LMH-1, parts of the exhibit are sponsored by Mr. Terry J. Keith, Director of Cost Recovery Clauses. Exhibit LMH-1, Table of Contents, Page 1 of 1, identifies the portions sponsored by myself and Mr. Keith.

Q. What is the actual end of period true-up amount which FPL is requesting for the January 2008 through December 2008 period?

A. FPL has calculated and is requesting approval of an underrecovery of $26,477,160 as the actual end of period true-up amount for the period.

Q. What is the net true-up amount for the January 2008 through December 2008 period which FPL is requesting to be carried over and included in the January 2010 through December 2010 factor?

A. FPL has calculated and is requesting approval of an underrecovery of $4,994,170 as the net true-up amount for the period. The net true-up underrecovery of $4,994,170 is the difference between the actual end of period true-up underrecovery of $26,477,160 and the estimated/actual true-up underrecovery of $21,482,987 approved by the Commission in Order No. PSC-08-0783-FOF-EG, issued December 1, 2008. This calculation is shown on Exhibit (LMH-1), Schedule CT-2, Page 1 of 5.

Q. Was the calculation of the net true-up amount for the period January 2008 through December 2008 performed consistently with the prior true-up calculations in this and the predecessor conservation cost recovery dockets?

A. Yes. FPL's net true-up was calculated consistent with the methodology set forth in Schedule 1, page 2 of 2 attached to Order No. 10093, dated June 19, 1981. The schedules sponsored by Mr. Keith detail this calculation.

Q. For the January 2008 through December 2008 period, did FPL seek recovery of any advertising costs which makes a specific claim of potential energy savings or states appliance efficiency ratings or savings?

A. Yes. A copy of the advertising, data sources and calculations used to substantiate the savings are included in Appendix A, Pages 1A – 2C.

Q. Did FPL make the necessary adjustments so that total 2007 and 2008 net ECCR recovery associated with the Green Power Pricing Program equals zero per PSC Order No. PSC-08-0833-PAA-EI, issued December 23, 2008?

A. Yes. In the 2007 ECCR Final True-Up filed on May 1, 2008, FPL included actual expenses of $14,100 associated with the Green Power Pricing Program. Per Order No. PSC-08-0833-PAA-EI, issued December 23, 2008 in Docket No. 070626-EI, FPL reduced its 2008 Green Power Pricing Program expenses by $14,100, as shown on Schedule CT-2, page 2 of 5, line 21 so that the net 2007 and 2008 ECCR expenses for this program equals zero.

Q. Are all costs listed in Schedule CT-2 attributable to Commission approved programs?

A. Yes.

Q. How did FPL's actual program expenditures for January 2008 through December 2008 compare to the Estimated/Actual presented in Docket No. 080002-EG, and approved per Order No. PSC-08-0783-FOF-EG?

A. Total expenditures for January 2008 through December 2008 were estimated to be $179,513,487 (CT-2, Page 1 of 5, Estimate Column, Line 13). The actual expenditures for the period were $180,016,994 (CT-2, Page 1 of 5, Actual Column, Line 13). This represents a period variance of $503,507 more than projected. This variance is detailed by program on Schedule CT-2, Page 3 of 5, Line 25 and is explained in Program Description and Progress Reports, Schedule CT-6, Pages 1 through 62.

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

A. Unless otherwise indicated, the data used in calculating the actual true-up amount was taken from the books and records of FPL. The books and records are kept in the regular course of our business in accordance with generally accepted accounting principles and practices, and provisions of the Uniform System of Accounts as prescribed by this Commission. As directed in Rule 25-17.015, Florida Administrative Code, Schedules CT-2, Pages 4 and 5 of 5, provide a complete list of all account numbers used for conservation cost recovery during the period January 2008 through December 2008.

Q. Does that conclude your testimony?

A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

TESTIMONY OF ANITA SHARMA

DOCKET NO. 090002-EG

September 11, 2009

Q. Please state your name and business address.

A. My name is Anita Sharma and my business address is 9250 West Flagler Street, Miami, Florida 33174. I am employed by Florida Power and Light Company (FPL or the Company) as Manager of Cost & Performance for Demand Side Management (DSM) Programs.

Q. Please describe your educational and professional background and experience.

A. I received a Masters in Economics in 1983 and a Masters in Finance in 2006 from Florida International University. I began working for FPL in 1985, as Assistant Economist and have worked in positions of increasing responsibility in the areas of economics and energy forecasting. I began in my present position as Manager of Cost & Performance for DSM Programs in March 2009.

Q. What are your responsibilities and duties as Manager of Cost & Performance for DSM Programs?

A. I am responsible for supervising and assisting in the development of the department's overall budget, which includes the budgets related to the DSM Programs. I supervise other support functions such as end-use evaluation and performance reporting that relates to the DSM

Programs and Energy Conservation Cost Recovery (ECCR), including monthly accounting reviews.

Also, I supervise and assist in the preparation of regulatory filings and reports related to ECCR, prepare responses to regulatory inquiries and ensure timely response. I am also responsible for the ECCR True-Up and Projection.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to submit for Commission review and approval the projected ECCR costs for FPL's DSM programs to be incurred by FPL during the months of January 2010 through December 2010 as well as the actual/estimated ECCR costs for January 2009 through December 2009. I also present the total level of costs FPL seeks to recover and the Conservation Factor which, when applied to our customers' bills during the period January through December 2010, will permit the recovery of the total ECCR costs.

Q. Are you sponsoring an exhibit in this proceeding?

A. Yes, I am sponsoring Exhibit AS-1, which is attached to my testimony and consists of Schedules C-1 through C-5.

Q. Are all the costs listed in these schedules reasonable, prudent and attributable to programs approved by the Commission?

A. Yes.

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

A. The actual expenditures for the months January 2009 through June 2009 are taken from the books and records of FPL. Expenditures for the months of July 2009 through December 2009, and January 2010 through December 2010 are projections based upon a detailed month-by-month analysis of the expenditures expected for each program at each location within FPL. These projections are developed by each FPL location where costs are incurred, and take into consideration not only cost levels but also market penetrations. They have been subjected to FPL's budgeting process and an on-going cost-justification process.

Q. Is FPL proposing any adjustments in its base rate proceeding (Docket No. 080677-EI) that impact the ECCR calculation?

A. Yes. In the testimonies of Kim Ousdahl and Marlene Santos filed in Docket No. 080677-EI, FPL discusses several adjustments to move items between base rates and clause recovery. One adjustment impacting the ECCR is to recover bad debt expense associated with clause revenues through the ECCR clause instead of base rates. Additionally, FPL is proposing to transfer to ECCR its recovery of FICA and unemployment taxes that are currently being recovered through base rates.

Q. Has FPL included these proposed adjustments in the calculation of its 2010 ECCR factors?

A. No, however FPL has quantified the impact of each adjustment on the ECCR clause and will revise its ECCR factors to be consistent with the Commission's decisions in Docket No. 080677-EI.

If approved, the impact of the inclusion of $451,313 of bad debt expense would round to a one cent increase on the 2010 RS-1 bill.

Also, if approved, the adjustment for FICA and unemployment taxes projection of $1.5 million would round to an increase of $0.02 to the ECCR portion of the 2010 Residential 1,000 kWh bill.

The total impact of both adjustments will result in an additional two cents on the ECCR portion of the 2010 RS-1 bill.

Q. Does this conclude your testimony?

A. Yes.

ERRATA SHEET

Direct testimony of Anita Sharma. Energy Conservation Cost Recovery Projections for the period January 2010 through December 2010, filed on September 11, 2009 in Docket No. 090002-EG.

PAGE/LINE	CHANGE OR CORRECTION
3/22-24	Strike text on lines 22 through 24. Replace with "No, however FPL will reflect the results of the Commission's decisions in Docket No. 080677-EI in its 2010 Estimated/Actual True-up filed in September, 2010".
4/1-9	Strike text on lines 1 through 9.

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 090002-EG
DETERMINATION OF CONSERVATION COSTS RECOVERY FACTOR

Direct Testimony of
MARC S. SEAGRAVE

On Behalf of
FLORIDA PUBLIC UTILITIES COMPANY

Q. Please state your name and business address.

A. Marc S. Seagrave: my business address is P.O. Box 3395 West Palm Beach, Florida 33402.

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

A. I am employed by Florida Public Utilities Company as Director of Marketing and Sales.

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

A. To advise the Commission of the actual over/under recovery of the Conservation Program costs for the period January 1, 2008 through December 31, 2008 as compared to the true-up amounts previously reported for that period which were based on seven months actual and five months estimated data.

Q. Please state the actual amount of over/under recovery of Conservation Program costs for the Consolidated Electric Divisions of Florida Public Utilities Company for January 1, 2008 through December 31, 2008.

A. The Company under-recovered $26,890.00 during that period. This amount is substantiated on Schedule CT-3, page 2 of 3, Energy Conservation Adjustment.

Q. How does this amount compare with the estimated true-up amount which was allowed by the Commission during the November 2008 hearing?

A. We had estimated that we would under-recover $43,885.00 as of December 31, 2008.

Q. Have you prepared any exhibits at this time?

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

Q. Does this conclude your testimony?

A. Yes.

Testimony Trueup 2008Seagrave.doc

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 090002-EG
DETERMINATION OF CONSERVATION COSTS RECOVERY FACTOR

Direct Testimony of
Joseph R. Eysie
On Behalf of
FLORIDA PUBLIC UTILITIES COMPANY

Q. Please state your name and business address.

A. Joseph R. Eysie: my business address is 401 South Dixie Highway, West Palm Beach, Florida 33401.

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

A. I am employed by Florida Public Utilities Company as Energy Conservation Manager.

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 January, 2010 through December, 2010.

Q. What respectively are the total projected costs for the period January 2010 through December, 2010 in the Consolidated Electric Division?

A. The total projected Conservation Program Costs are $533,719. Please see Schedule C-2, page 2, for the programmatic and functional breakdown of these total costs.

Q. What is the true-up amount to be applied to determine the projected net total costs for the period January, 2009 through December, 2009?

A. As reflected in the "C" Schedules, the true-up amount for Consolidated Electric Division is $58,005. The amount is based upon seven months actual and five months estimated data.

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

A. The net total costs to be recovered are $591,724.

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

A. The Conservation Adjustment Factor is $.00080 per KWH.

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

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

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

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

Q. What is the "Good Cents" branding?

A. "Good Cents" is a nationally recognized, licensed energy conservation branding program. This program is fuel neutral by design and has been successfully utilized by approximately 300 electric and natural gas utilities located across 38 states from Maine, to Florida to California and Washington.

Q. How does Florida Public Utilities utilize this branding?

A. Florida Public Utilities has successfully leveraged the Good Cents marketing by other utilities in northern Florida and southern Georgia since approximately 1980 and has built a high level of awareness within these electric territories. The Company uses the "Good Cents" branding to create an awareness of its energy conservation among consumers, businesses, builders and developers.

Florida Public Utilities will leverage the high visibility brand, well established national image of quality, value and savings, established public awareness, and proven promotional lift (average 11%) to build participation in our residential and commercial energy conservation programs. We will apply the branding strategy to promote activities via broadcast and print media, educational events and collateral materials. Through this

branding, end users and decision makers can readily identify where to obtain energy expertise to assist them with their energy decisions.

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

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

Q. Does this conclude your testimony?

A. Yes.

Gulf Power Company

Before the Florida Public Service Commission
Prepared Direct Testimony and Exhibit of
John N. Floyd
Docket No. 090002-EG
Energy Conservation Cost Recovery Clause
May 1, 2009

Q. Will you please state your name, business address, employer and position?

A. My name is John N. Floyd and my business address is One Energy Place, Pensacola, Florida 32520. I am employed by Gulf Power Company as the Economic Evaluation and Market Reporting Team Leader.

Q. Mr. Floyd, please describe your educational background and business experience.

A. I received a Bachelor Degree in Electrical Engineering from Auburn University in 1985. After serving four years in the U.S. Air Force, I began my career in the electric utility industry at Gulf Power in 1990 and have held various positions within the Company in Power Generation, Metering, Power Delivery Distribution, and Marketing. In my present position, I am responsible for Energy Conservation Cost Recovery (ECCR) filings, economic evaluations, market research, and other marketing services activities.

Q. Have you previously testified before this Commission in connection with the Energy Conservation Cost Recovery Clause?

A. Yes.

Q. Mr. Floyd, for what purpose are you appearing before this Commission today?

A. I am testifying before this Commission on behalf of Gulf Power regarding matters related to the Energy Conservation Cost Recovery Clause, specifically the approved programs and related expenses for January, 2008, through December, 2008.

Q. Are you familiar with the documents concerning the Energy Conservation Cost Recovery Clause and its related true-up and interest provisions?

A. Yes, I am.

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

A. Yes, I have.

Counsel: We ask that Mr. Floyd's exhibit consisting of 6 Schedules, CT-1 through CT-6, be marked for identification as:

Exhibit No. ____ (JNF-1)

Q. Would you summarize for this Commission the deviations between the actual expenses for this recovery period and the estimated/actual estimate of expenses previously filed with this Commission?

A. The estimated/actual true-up net expenses for the entire recovery period January, 2008, through December, 2008, were $9,741,270 while the actual expenses were $9,257,740 resulting in a variance of ($483,530) or 5.0% under the estimated/actual true-up. See Schedule CT-2, Line 9.

Q. Mr. Floyd, would you explain the January, 2008, through December, 2008, variance?

A. Yes. The reasons for this variance are less expenses than estimated in the following programs: Residential Geothermal Heat Pump Program, under $106,109; GoodCents *Select*, under $81,235; Commercial/ Industrial Energy Analysis, under $99,805; GoodCents Commercial Buildings, under $80,154; Commercial Geothermal Heat Pump, under $78,990; Energy Services, under $13,712; Renewable Energy, under $5,547; and Conservation Demonstration and Development, under $72,516. The underages experienced in these programs are offset by an increase of expenses in the following program: Residential Energy Surveys, over $54,538. The resulting net variance is $483,530

under the estimated/actual program expenses reported in September, 2008. A more detailed description of the deviations is contained in Schedule CT-6.

Q. Mr. Floyd, what was Gulf Power's adjusted net true-up for the period January, 2008 through December, 2008?

A. There was an over-recovery of $322,171 as shown on Schedule CT-1.

Q. Would you describe the results of your programs during the recovery period?

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

(A) Residential Energy Surveys - During this period, the Company completed 4,714 surveys compared to the projection of 6,261 surveys.

(B) Residential Geothermal Heat Pump - During the 2008 recovery period, a total of 97 geothermal heat pumps were installed compared to a projection of 300.

(C) GoodCents *Select* - During this recovery period, there was a net reduction of 115 units with a total of 8,716 units on-line at December 31, 2008. Gulf had projected a net customer addition of 100 units.

(D) Commercial/Industrial (C/I) Energy Analysis - During 2008, a total of 317 C/I Energy Analyses were completed compared to a projection of 300.

(E) GoodCents Commercial Buildings - During this recovery period, a total of 151 buildings were built or improved to GoodCents standards, compared to a projection of 180.

(F) Commercial Geothermal Heat Pump - During the 2008 recovery period, there were 3 geothermal heat pump units installed compared to 20 units projected.

(G) Energy Services - For the 2008 recovery period, at the meter reductions of 93,432 kWh, winter kW of 41 and summer kW of 23 were achieved. The projected results for this period were at the meter energy reductions of 1,178,470 kWh and at the meter demand reductions of 510 kW winter and 275 kW summer.

(H) Renewable Energy - Costs associated with the Renewable Energy program are provided in Schedule CT-3, pages 1 through 3. Further description of these activities can be found in Schedule CT-6, pages 8 and 9.

(I) Conservation Demonstration and Development - Costs associated with the Conservation Demonstration and Development program are provided in Schedule CT-3,

pages 1 through 3. Further description of these activities can be found in Schedule CT-6, pages 10 and 11.

Q. Mr. Floyd, does this conclude your testimony?

A. Yes, it does.

GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony and Exhibit of
John N. Floyd
Docket No. 090002-EG
Energy Conservation Cost Recovery Clause
September 11, 2009

Q. Will you please state your name, business address, employer and position?

A. My name is John N. Floyd and my business address is One Energy Place, Pensacola, Florida 32520. I am employed by Gulf Power Company as the Economic Evaluation and Market Reporting Team Leader.

Q. Mr. Floyd, please describe your educational background and business experience.

A. I received a Bachelor Degree in Electrical Engineering from Auburn University in 1985. After serving four years in the U.S. Air Force, I began my career in the electric utility industry at Gulf Power in 1990 and have held various positions within the Company in Power Generation, Metering, Power Delivery Distribution, and Marketing. In my present position, I am responsible for Energy Conservation Cost Recovery (ECCR) filings, economic evaluations, market research, and other marketing services activities.

Q. Have you previously filed testimony before this Commission in connection with the Energy Conservation Cost Recovery Clause?

A. Yes.

Q. Mr. Floyd, for what purpose are you appearing before this Commission today?

A. I am testifying before this Commission on behalf of Gulf Power regarding matters related to the Energy Conservation Cost Recovery Clause and to answer any questions concerning the accounting treatment of recoverable conservation costs in this filing. Specifically, I will address projections for approved programs during the January 2010 through December 2010 recovery period and the anticipated results of those programs during the current recovery period, January 2009 through December 2009 (7 months actual, 5 months estimated). I have also included projections in 2010 for the Solar Thermal Water Heating and Energy Education programs which were originally approved in Docket No. 080395-EG as pilot programs ending December 2009. Gulf Power anticipates proposing aspects of these programs in its new 2010 Demand Side Management (DSM) Plan.

Q. Excluding the projections for the Solar Thermal Water Heating and Energy Education programs, have you included projections for any other programs associated with Gulf's forthcoming DSM plan?

A. No, however, Gulf anticipates filing an amended projection of 2010 expenses upon Commission approval of the Company's new DSM Plan associated with conservation goals under consideration in Docket 080410-EG. Based on the current Commission schedule, Gulf anticipates new goals to be established in the fourth quarter of 2009 and the corresponding DSM plan to be proposed in the first quarter of 2010.

Q. Have you prepared an exhibit that contains information to which you will refer in your testimony?

A. Yes. My exhibit consists of 5 schedules, each of which was prepared under my direction, supervision, or review.

Counsel: We ask that Mr. Floyd's exhibit consisting of 5 Schedules be marked for identification as: Exhibit No. ____(JNF-2).

Q. Would you summarize for this Commission the deviations resulting from the actual costs for January through July of the current recovery period?

A. Projected expenses for the first seven months of the current period were $7,140,117 compared to actual expenses of $6,560,890 for a difference of $579,227 or 8.1% under budget. A detailed summary of all program expenses is contained in my Schedule C-3, pages 1 and 2 and my Schedule C-5, pages 1 through 17.

Q. Have you provided a description of the program results achieved during the period, January 2009 through July 2009?

A. Yes. A detailed summary of year-to-date results for each program is contained in my Schedule C-5, pages 1 through 17.

Q. Would you summarize the conservation program cost projections for the January 2010 through December 2010 recovery period?

A. Program costs for the projection period are estimated to be $11,472,661. These costs are broken down as follows: depreciation, return on investment and property taxes, $2,086,789; payroll/benefits, $3,816,084; materials/expenses, $5,034,416; advertising, $678,148; and incentives, $792,600; all of which are partially offset by program revenues of $935,376. More detail is contained in my Schedule C-2.

Q. Would you describe the expected results for your on-going and pending programs during the January 2010 through December 2010 recovery period?

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

(1) Residential Energy Surveys - During the recovery period, 4,000 surveys are projected to be completed. The objective of this program is to provide Gulf Power's existing residential customers, and individuals building new homes, with energy conservation advice that is specific to the particular building being surveyed. These measures result in energy savings for the customer as well as energy and peak demand reductions on Gulf's system.

(2) Residential Geothermal Heat Pump - The objective of this program is to reduce the demand and energy requirements of new and existing residential customers through the promotion and installation of advanced and emerging geothermal systems. During the upcoming projection period, 200 customers are expected to participate in the program.

(3) Energy *Select* - This program is designed to provide the customer with a means of conveniently and automatically controlling and monitoring energy

purchases in response to prices that vary during the day and by season in relation to Gulf's cost of producing or purchasing energy. The Energy *Select* system includes field units utilizing a communication gateway, major appliance load control relays, and a programmable thermostat (Superstat), all operating at the customer's home. The Company projects 1,250 installations in 2010.

(4) Commercial/Industrial (C/I) Energy Analysis - This is an interactive program that provides commercial and industrial customers assistance in identifying energy conservation opportunities. The program is a prime tool for the Gulf Power Company C/I Energy Specialists to personally introduce customers to conservation measures, including low or no-cost improvements or new electro-technologies to replace old or inefficient equipment. Further, this program facilitates the load factor improvement process necessary to increase performance for both the customer and the Company. Gulf Power projects 300 participants in 2010.

(5) Good Cents Commercial Buildings - The Good Cents Building program objective is to reduce peak electrical demand and annual energy consumption in

commercial/industrial buildings. This program provides guidelines and assistance to ensure that buildings are constructed with energy efficiency levels above the Florida Energy Efficiency Code for Building Construction. For the projection period, 180 buildings are expected to meet program standards.

(6) Commercial Geothermal Heat Pump - The objective of this program is to reduce the demand and energy requirements of new and existing commercial/ industrial customers through the promotion and installation of advanced and emerging geothermal systems. During the upcoming projection period, 20 customers are expected to participate in the program.

(7) Energy Services - The Energy Services program is designed to establish the capability and process to offer advanced energy services and energy efficient end-use equipment that is customized to meet the individual needs of large customers. Potential projects are evaluated on a case-by-case basis and must be cost effective to qualify for incentives or rebates. Types of projects covered under this program would include demand reduction or efficiency improvement retrofits, such as

lighting (fluorescent and incandescent), motor replacements, HVAC retrofit (including geothermal applications), and new electro-technologies. For 2010, Gulf projects at the meter energy reductions of 1,178,470 kWh, and at the meter demand reductions of 510 kW winter and 275 kW summer.

(8) Renewable Energy - The Renewable Energy Program is designed to encompass a variety of voluntary renewable and green energy programs under development by Gulf Power Company. Programs include voluntary pricing options like the EarthCents Solar (Photovoltaic Rate Rider) and the Solar for Schools Program. Additionally, this program will include expenses necessary to prepare and implement a renewable energy pilot program utilizing landfill gas, wind, solar and other renewable energy sources. Costs associated with the Renewable Energy program are provided in Schedule C-2.

(9) Conservation Demonstration and Development - A package of conservation programs was approved by the FPSC in Order No. 23561 for Gulf Power Company to explore and to pursue research, development, and demonstration projects designed to promote energy efficiency and conservation. This program serves

as an umbrella program for the identification, development, demonstration and evaluation of new or emerging end-use technologies. Costs associated with the Conservation Demonstration and Development program are provided in Schedule C-2.

(10) Solar Thermal Water Heating Program Pilot - Approved by the Commission in December, 2008, as a one-year pilot, this program was designed to gauge utility customer interest in, and acceptance of, solar thermal water heating. Currently, a $1,000 rebate is available to customers after a qualifying system has been installed by the customer and inspected by Company personnel. Gulf anticipates requesting extension of a modified version of this pilot program as part of the Company's upcoming DSM plan. At this time, specific program standards have not been determined.

(11) Energy Education Pilot Program - This program was approved by the Commission in December, 2008, as a one-year pilot. The objective of the Energy Education Program is to raise awareness of energy efficiency and conservation and to increase participation in conservation opportunities including Gulf's existing and future energy efficiency and conservation programs. Gulf

anticipates requesting approval of aspects of this pilot program as part of the Company's DSM plan for the period 2010 through 2019. At this time, the full scope of program components has not been determined.

Q. Mr. Floyd, have there been any developments in any existing program that will have a significant effect on the amount being requested for recovery in 2009 or 2010?

A. Yes. Overall participation in Gulf's voluntary programs for 2009 has been lower than projected. Gulf believes that this is due in part to several factors including lower than projected customer growth and general economic conditions. Expenses for 2009 have been less than projected primarily due to delays in equipment availability for new installations in the Energy *Select* program. Although, promotion of the program was resumed in April, 2009, delivery of the new equipment is not expected until the first quarter of 2010.

Q. How does the proposed 2010 Energy Conservation Cost Recovery factor for Rate Schedule RS compare with the factor applicable to December 2009 and how would the change affect the cost of 1,000 kWh on Gulf Power's

residential rate RS?

A. The current Energy Conservation Cost Recovery factor for Rate Schedule RS applicable through December 2009 is 0.085¢/kWh compared with the proposed factor of 0.108¢/kWh. For a residential customer who uses 1,000 kWh in January 2010 the conservation portion of the bill would increase from $0.85 to $1.08.

Q. When does Gulf propose to collect these Energy Conservation Cost Recovery charges?

A. The factors will be effective beginning with the first bill group for January 2010 and continue through the last bill group for December 2010.

Q. Mr. Floyd, does this conclude your testimony?

A. Yes, it does.

PROGRESS ENERGY FLORIDA

DOCKET NO. 090002-EG

DIRECT TESTIMONY OF JOHN A. MASIELLO

Q. State your name and business address.

A. My name is John A. Masiello. My business address is 3300 Exchange Place, Lake Mary, Florida 32746.

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

A. I am employed by Progress Energy Florida, Inc. (Progress Energy or the Company), as Director of DSM & Alternative Energy.

Q. Have your duties and responsibilities remained the same since you last testified in this proceeding?

A. Yes.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to compare Progress Energy's actual costs of implementing conservation programs with the actual revenues collected through the Company's Energy Conservation Cost Recovery Clause (ECCR) during the period January 2008 through December 2008.

Q. For what programs does Progress Energy seek recovery?

A. Progress Energy seeks recovery through the ECCR for the following conservation programs approved by the Commission as part of the Company's DSM Plan, as well as for Conservation Program Administration (i.e., those common administration expenses not specifically linked to an individual program).

- Home Energy Check
- Home Energy Improvement
- Residential New Construction
- Low-Income Weatherization Assistance Program
- Energy Management (Residential and Commercial)
- Business Energy Check
- Better Business
- Commercial/Industrial New Construction
- Innovation Incentive
- Standby Generation
- Interruptible Service
- Curtailable Service
- Technology Development
- Qualifying Facility
- Renewable Energy Saver
- Neighborhood Energy Saver

Q. Do you have any exhibits to your testimony?

A. Yes, Exhibit No. (JAM-1T) entitled, "Progress Energy Florida Energy Conservation Adjusted Net True-Up for the Period January 2008 through December 2008." There are five (5) schedules to this exhibit.

Q. Will you please explain your exhibit?

A. Yes. Exhibit JAM-1T presents Schedules CT-1 through CT-5. These schedules set out the actual costs incurred for all programs during the period from January 2008 through December 2008. They also describe the variance between actual costs and previously projected values for the same time period. Schedule CT-5 provides a brief summary report for each program that includes a program description, annual program expenditures and program accomplishments over the twelve-month period ending December 2008.

Q. Would you please discuss Schedule CT-1?

A. Yes. Schedule CT-1 shows that Progress Energy's actual net ECCR true-up for the twelve months ending December 31, 2008 was an over-recovery of $6,510,464 including principal and interest. This amount is $3,274,589 more than the previous estimate in the Company's September 12, 2008 ECCR Projection Filing.

Q. Does this conclude your direct testimony?

A. Yes.

PROGRESS ENERGY FLORIDA

DOCKET NO. 090002-EG

DIRECT TESTIMONY OF JOHN A. MASIELLO

September 14, 2009

Q. State your name and business address.

A. My name is John A. Masiello. My business address is Progress Energy, 3300 Exchange Place, Lake Mary, FL 32746.

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

A. I am employed by Progress Energy Florida, Inc. (Progress Energy or the Company) as Director, DSM & Alternative Energy Strategy.

Q. Have your duties and responsibilities remained the same since you last testified in this proceeding.

A. Yes.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to describe the components and costs of the Company's Demand-Side Management Plan as approved by the Commission. I will detail the projected costs for implementing each program in that plan, explain how these costs are presented in my attached exhibit, and show the resulting Energy Conservation Cost Recovery (ECCR) factors for customer billings in 2010.

Q. Do you have any Exhibits to your testimony?

A. Yes, Exhibit No. _____ (JAM-1P) consists of Schedules (C-1 through C-5), which support Progress Energy's ECCR calculations for the 2009 actual/estimated period and the 2010 projection period.

Q. For what programs does Progress Energy seek recovery?

A. Progress Energy is seeking to recover those costs allowed pursuant to Rule 25-17.015, F.A.C., for each of the following Commission-approved conservation programs, as well as for Conservation Program Administration (those common administration expenses not specifically linked to an individual program).

- Home Energy Check
- Home Energy Improvement
- Residential New Construction
- Low-Income Weatherization Assistance
- Neighborhood Energy Saver
- Energy Management (Residential and Commercial EnergyWise)
- Renewable Energy Saver
- Business Energy Check
- Better Business
- Commercial/Industrial New Construction
- Innovation Incentive
- Standby Generation
- Interruptible Service
- Curtailable Service

- Technology Development
- Qualifying Facilities

Q. What is included in your Exhibit?

A. My exhibit consists of Schedules C-1 through C-5. Schedule C-1 provides a summary of cost recovery clause calculations and information by retail rate schedule and the calculation of the cost recovery demand allocators. Schedule C-2 provides annual and monthly conservation program cost estimates for the 2010 projection period for each conservation program, as well as for common administration expenses. Additionally, Schedule C-2 presents program costs by specific category (i.e. payroll, materials, incentives, etc.) and includes a schedule of estimated capital investments, depreciation and return for the projection period.

Schedule C-3 contains a detailed breakdown of conservation program costs by specific category and by month for the actual/estimated period of January through July 2009 (actual) and August through December 2009 (estimated). In addition, Schedule C-3 presents a schedule of capital investment, depreciation and return, an energy conservation adjustment calculation of true-up, and a calculation of interest provision for the 2009 actual/estimated period.

Schedule C-4 projects ECCR revenues during the 2010 projection period. Schedule C-5 presents a brief description of each program, as well as a summary of progress and projected expenditures for each program for which Progress Energy seeks cost recovery through the ECCR clause.

Q. In Schedule C-1, why are the cost recovery demand allocators presented 3 separate ways?

A. The actual demand allocator to be applied is dependent on the outcome of PEF's rate case. Therefore, we have presented multiple calculations to facilitate the 2010 rate calculation once a final decision has been made by the Commission. The three methods are as follows:

- 12 CP and 1/13 annual average demand – Currently approved
- 12 CP and 25% annual average demand – Approved in TECO Rate Case Docket No. 080317 – EI
- 12 CP and 50% annual average demand – Proposed in PEF Rate Case Docket No., 090079-EI, Direct Testimony of William C. Slusser Jr.

Q. Why are the ECCR factors for the Curtailable (CS) and Interruptible (IS) rate classes presented both individually and combined in Schedule C-1, pages 2-4 of your exhibit?

A. As explained in the Direct Testimony of William C. Slusser Jr. in Docket 090079-EI, these rate classes should be combined and treated as one rate class since their load characteristics are similar. The ECCR factors for these rate classes are presented both individually and combined for ease of selecting the appropriate application determined by the Commission.

Q. Would you please summarize the major results from your Exhibit?

A. Yes. Schedule C-2, Page 1 of 6, Line 22, shows total net program costs of

$87,007,177 for the 2010 projection period. The following tables present Progress Energy's proposed ECCR billing factors using each of the three demand allocation methods, expressed in dollars per 1,000 kilowatt-hours by retail rate class and voltage level for calendar year 2010, as contained in Schedule C-1, Pages 2-4.

2010 ECCR Billing Factors ($/1,000 kWh)

12 CP and 1/13 Annual Average Demand

Retail Rate Schedule	Secondary Voltage	Primary Voltage	Transmission Voltage
Residential	$2.70	N/A	N/A
General Service Non-Demand	$2.23	$2.21	$2.19
General Service 100% Load Factor	$1.88	N/A	N/A
General Service Demand	$2.10	$2.08	$2.06
Curtailable	$1.94	$1.92	$1.90
Interruptible	$1.86	$1.84	$1.82
Combined Curtailable & Interruptible	$1.87	$1.85	$1.83
Lighting	$1.24	N/A	N/A

12 CP and 25% Annual Average Demand

Retail Rate Schedule	Secondary Voltage	Primary Voltage	Transmission Voltage
Residential	$2.64	N/A	N/A
General Service Non-Demand	$2.26	$2.24	$2.21
General Service 100% Load Factor	$1.98	N/A	N/A
General Service Demand	$2.15	$2.13	$2.11
Curtailable	$2.02	$2.00	$1.98
Interruptible	$1.95	$1.93	$1.91
Combined Curtailable & Interruptible	$1.00	$0.99	$0.98
Lighting	$1.46	N/A	N/A

12 CP and 50% Annual Average Demand

Retail Rate Schedule	Secondary Voltage	Primary Voltage	Transmission Voltage
Residential	$2.56	N/A	N/A
General Service Non-Demand	$2.31	$2.29	$2.26
General Service 100% Load Factor	$2.12	N/A	N/A
General Service Demand	$2.23	$2.21	$2.19
Curtailable	$2.12	$2.10	$2.08
Interruptible	$2.08	$2.06	$2.04
Combined Curtailable & Interruptible	$1.13	$1.12	$1.11
Lighting	$1.77	N/A	N/A

Q. Does this conclude your testimony?

A. Yes.

TAMPA ELECTRIC COMPANY
DOCKET NO. 090002-EG
FILED: 9/11/09

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

HOWARD T. BRYANT

Q. Please state your name, address, occupation and employer.

A. My name is Howard T. Bryant. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "the company") as Manager, Rates in the Regulatory Affairs Department.

Q. Please provide a brief outline of your educational background and business experience.

A. I graduated from the University of Florida in June 1973 with a Bachelor of Science degree in Business Administration. I have been employed at Tampa Electric since 1981. My work has included various positions in Customer Service, Energy Conservation Services, Demand Side Management ("DSM") Planning, Energy Management and Forecasting, and Regulatory Affairs. In my current position I am responsible for the company's Energy Conservation Cost Recovery ("ECCR") clause, Environmental

Cost Recovery Clause ("ECRC"), and retail rate design.

Q. Have you previously testified before the Florida Public Service Commission ("Commission")?

A. Yes. I have testified before this Commission on conservation and load management activities, DSM goals setting and DSM plan approval dockets, and other ECCR dockets since 1993, and ECRC activities since 2001.

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

A. The purpose of my testimony is to support the company's actual conservation costs incurred during the period January through December 2008, the actual/projected period January to December 2009, and the projected period January through December 2010. Also, I will support the appropriate Contracted Credit Value ("CCV") for participants in the General Service Industrial Load Management Riders ("GSLM-2" and "GSLM-3") for the period January through December 2010. In addition, I will support the appropriate residential variable pricing rates ("RSVP-1") for participants in the Residential Price Responsive Load Management Program for the period January through December 2010.

Q. Did you prepare any exhibits in support of your testimony?

A. Yes. Exhibit No. _____ (HTB-2), containing one document, was prepared under my direction and supervision. Document No. 1 includes Schedules C-1 through C-5 and associated data which support the development of the conservation cost recovery factors for January through December 2010.

Q. Please describe the conservation program costs projected by Tampa Electric during the period January through December 2008.

A. For the period January through December 2008, Tampa Electric projected conservation program costs to be $18,154,110. The Commission authorized collections to recover these expenses in Docket No. 070002-EG, Order No. PSC-07-0933-FOF-EG, issued November 26, 2007.

Q. For the period January through December 2008, what were Tampa Electric's conservation costs and what was recovered through the ECCR clause?

A. For the period January through December 2008, Tampa

Electric incurred actual net conservation costs of $16,989,411, plus a beginning true-up over-recovery of $566,948 for a total of $16,422,463. The amount collected in the ECCR clause was $16,778,877.

Q. What was the true-up amount?

A. The true-up amount for the period January through December 2008 was an over-recovery of $389,627. These calculations are detailed in Exhibit No. ___ (HTB-1), Conservation Cost Recovery True Up, Pages 2 through 13, filed May 1, 2009.

Q. Please describe the conservation program costs incurred and projected to be incurred by Tampa Electric during the period January through December 2009.

A. The actual costs incurred by Tampa Electric through July 2009 and estimated for August through December 2009 are $32,558,164. For the period, Tampa Electric anticipates an under-recovery in the ECCR Clause of $1,630,146 which includes the 2008 true-up and interest. A summary of these costs and estimates are fully detailed in Exhibit No. ___ (HTB-2), Conservation Costs Projected, pages 12 through 27.

Q. Has Tampa Electric proposed any new or modified DSM Programs for ECCR cost recovery for the period January through December 2010.

A. No.

Q. Please summarize the proposed conservation costs for the period January through December 2010 and the annualized recovery factors applicable for the period January through December 2010.

A. The company has estimated that the total conservation costs (less program revenues) during the period will be $42,186,372 plus true-up. Including true-up estimates, the January through December 2010 cost recovery factors for firm retail rate classes are as follows:

Rate Schedule	Cost Recovery Factors (cents per kWh)
RS	0.254
GS and TS	0.249
GSD Optional - Secondary	0.179
GSD Optional - Primary	0.177
GSD Optional - Subtransmission	0.175
LS1	0.113

REVISED: 10/15/09

Rate Schedule	Cost Recovery Factors (dollars per kW)
GSD - Secondary	0.88
GSD - Primary	0.87
GSD - Subtransmission	0.86
SBF - Secondary	0.88
SBF - Primary	0.87
SBF - Subtransmission	0.86
IS - Secondary	0.79
IS - Primary	0.78
IS - Subtransmission	0.77

Exhibit No. ___ (HTB-2), Conservation Costs Projected, pages 13 through 18 contain the Commission prescribed forms which detail these estimates.

Q. Please describe the changes to the 2010 ECCR factors related to Tampa Electric's approved rate design in Docket No. 080317-EI.

There were three major changes to the 2010 ECCR factors that were related to the company's approved rate design in Docket No. 080317-EI. First, as a result of Tampa Electric's base rate case the Commission approved the consolidation of the company's General Service - Demand

("GSD") and General Service - Large Demand ("GSLD") rate customers into one new GSD rate class. Second, the allocation of production demand costs was modified to the 12 Coincident Peak and 25 percent Average Demand to better reflect cost causation. Finally, Tampa Electric transferred existing IS (non-firm) customers to a new IS (firm) rate schedule for current and future customers where Tampa Electric will collect ECCR clause revenue from the new IS rate class on a billing KW basis. Tampa Electric fully anticipates the continued ability to interrupt these customers' loads. In turn, these customers will receive the appropriate monthly incentive under the GSLM-2 or GSLM-3 rate rider.

Q. Has Tampa Electric complied with the ECCR cost allocation methodology stated in Docket No. 930759-EG, Order No. PSC-93-1845-EG?

A. Yes, it has.

Q. Please explain why the incentive for GSLM-2 and GSLM-3 rate riders is included in your testimony.

A. In Docket No. 990037-EI, Tampa Electric petitioned the Commission to close its non-cost-effective interruptible

service rate schedules while initiating the provision of a cost-effective non-firm service through a new load management program. This program would be funded through the ECCR clause and the appropriate annual CCV for customers would be submitted for Commission approval as part of the company's annual ECCR projection filing. Specifically, the level of the CCV would be determined by using the Rate Impact Measure ("RIM") Test contained in the Commission's cost-effectiveness methodology found in Rule 25-17.008, F.A.C. By using a Rim Test benefit-to-cost ratio of 1.2, the level of the CCV would be established on a per kilowatt ("kW") basis. This program and methodology for CCV determination was approved by the Commission in Docket No. 990037-EI, Order No. PSC-99-1778-FOF-EI, issued September 10, 1999.

Q. What is the appropriate CCV for customers who elect to take service under the GSLM-2 and GSLM-3 rate riders during the January through December 2010 period?

A. For the January through December 2010 period, the CCV will be $9.72 per kW. If the 2010 assessment for need determination indicates the availability of new non-firm load, the CCV will be applied to new subscriptions for service under those rate riders. The application of the

cost-effectiveness methodology to establish the CCV is found in the attached analysis, Exhibit No. ___ (HTB-2), Conservation Costs Projected, beginning on page 55 through 58.

Q. Please explain why the RSVP-1 rates for Residential Price Responsive Load Management are in your testimony.

A. In Docket No. 070056-EG, Tampa Electric's petition to allow its pilot residential price responsive load management initiative to become permanent was approved by the Commission on August 28, 2007. This program is to be funded through the ECCR clause and the appropriate annual RSVP-1 rates for customers are to be submitted for Commission approval as part of the company's annual ECCR projection filing. Page 59 contains the projected RSVP-1 rates for 2010.

Q. What are the appropriate Price Responsive Load Management rates ("RSVP-1") for customers who elect to take service rate during the January through December 2010 period?

A. For the January 2010 through December 2010 period, the appropriate RSVP-1 rates for Tampa Electric's Price Responsive Load Management program are as follows:

Rate Tier	Cents per kWh
P4	29.254
P3	3.705
P2	(0.406)
P1	(0.573)

Q. Does this conclude your testimony?

A. Yes it does.

1. INTRODUCTION, QUALIFICATIONS, AND SUMMARY

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Jeffry Pollock; 12655 Olive Blvd., Suite 335, St. Louis, MO 63141.

Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?

A I am an energy advisor and President of J. Pollock, Incorporated.

Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A I have a Bachelor of Science Degree in Electrical Engineering and a Masters in Business Administration from Washington University. Since graduation in 1975, I have been engaged in a variety of consulting assignments, including energy procurement and regulatory matters in both the United States and several Canadian provinces. I have participated in regulatory matters before this Commission since 1976. More details are provided in **Appendix A** to this testimony.

Q ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A I am testifying on behalf of the Florida Industrial Power Users Group (FIPUG). FIPUG member companies are customers of and purchase electricity from Florida Power & Light Company (FPL) and Progress Energy Company (PEF). Many of these customers purchase non-firm power under the various programs offered by FPL and PEF. Therefore, participating FIPUG companies have a direct and significant interest in the outcome of this proceeding.

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

A In the pending FPL and PEF rate cases (Docket Nos. 080677-EI and 090079-EI), the Commission Staff and the utilities have taken the position that the applicable credits for non-firm rates is more properly addressed in a conservation proceeding. Although FIPUG has addressed this issue in the FPL and PEF rate cases, out of an abundance of caution, FIPUG is also filing testimony addressing the appropriate credits for non-firm rates in this proceeding in an attempt to ensure that its concerns are addressed on the merits since FIPUG will not know the Commission's decision in the rate cases until after the testimony deadline in this case.. The specific rates addressed in this testimony are PEF's Schedules IS-1, IS-2, SS-2, and GSLM-2; FPL's Commercial and Industrial Load Control (CILC) program; FPL's Interruptible Standby Service rate (ISST); and FPL's Commercial/Industrial Demand Reduction (CDR) rider.

I am also addressing the design of FPL's and PEF's proposed Energy Conservation Cost Recovery (ECCR) factors.

Q **ARE YOU FILING ANY EXHIBITS IN CONNECTION WITH YOUR TESTIMONY?**

A Yes. I am filing **Exhibits JP-1** through **JP-3**. These exhibits were prepared by me or under my direction and supervision.

Q HAVE YOU HAD AN OPPORTUNITY TO FULLY ANALYZE THE ASSUMPTIONS BEHIND THE PROJECTED EXPENSES UNDER FPL'S AND PEF'S NON-FIRM TARIFFS?

A No. FPL's testimony was filed on September 11, while PEF filed its testimony on September 14. FIPUG submitted discovery on FPL and PEF on September 16. With a 20-day turnaround for responses, we will not receive responses until October 6, at the earliest. Thus, I reserve the right to supplement my testimony after receiving the discovery responses.

Summary

Q PLEASE SUMMARIZE YOUR RECOMMENDATIONS.

A If the Commission decides that the level of incentive payments to PEF Schedule IS and SS-2 customers and FPL's CILC, CDR, and ISST customers are more appropriately addressed in this proceeding (rather than in the pending PEF and FPL base rate cases), the following changes should be implemented:

1. PEF's Interruptible Demand Credit should be increased to $7.13 per billing kW, which is based on PEF's most recent cost-effectiveness analysis. PEF's analysis reveals that the general body of ratepayers would benefit by paying $10.49 per kW of capacity for interruptible power rather than PEF building new capacity. This capacity value should be used in setting the IS-1, IS-2, and SS-2 rates.

2. The Interruptible Demand Credit should not be load factor adjusted because there is no evidence of a linear relationship between load factor and coincidence factor for the vast majority of PEF's interruptible customers.

3. FPL has understated the cost of the CILC program because it is requiring the CILC customers to absorb $22.6 million (or 42.5%) of the $53.2 million of costs. This is despite the fact that the CILC class is responsible for only 3.5% of FPL's production plant costs. The total actual costs of the CILC program should be recovered through the ECCR.

4. FPL's Rider CDR Credit should be increased to at least $5.50 per kW to reflect the current value of interruptible capacity.

5. The corresponding value of interruptible power should also be reflected in the credits applicable to FPL's and PEF's standby customers.

6. The customer should have the option to lock-in the Schedule IS and CDR credits for at least three years, consistent with the Commission's decision in the most recent Tampa Electric Company (TECO) rate case.

The Commission should also require PEF to investigate whether the capacity credits in GSLM-2 appropriately reflect PEF's current avoided capacity costs.

Finally, the ECCR factors should be re-designed to recover conservation costs on a demand basis. This is consistent with cost-causation because the majority of conservation costs are demand-related. A kW (kilowatt) charge is consistent with Commission precedent in the design of FPL's and TECO's Capacity Cost Recovery (CCR) clause and TECO's ECCR clause.

2. PROGRESS ENERGY FLORIDA

Q IS PEF PROJECTING ANY SIGNIFICANT CHANGE IN PROJECTED PAYMENTS UNDER THE INTERRUPTIBLE LOAD MANAGMENT IN DESIGNING ITS PROPOSED ECCR?

A No. PEF is projecting $19.58 million of incentive payments under its Interruptible Load Management program (PEF, *Schedule C-2*, page 3). This represents a $1.2 million (6.4%) increase from the estimated $18.4 million of incentives paid in 2009.

Q WILL THE INCENTIVE PAYMENTS NECESSARILY INCREASE IN 2010?

A No. The level of the incentive payments is primarily related to the Interruptible Demand Credits, whether Schedule IS-1 will be eliminated, and the applicable interruptible billing demand. Currently, the Credit is applied to the customer's billing demand in Schedule IS-1 and to load-factor adjusted billing demand in Schedule IS-2.

In its pending base rate case, PEF is proposing (1) to maintain the current Interruptible Demand Credits, (2) eliminate Schedule IS-1, and (3) transfer all IS-1 customers to Schedule IS-2. If this proposal is approved, the incentive payments made to interruptible customers will be significantly lower than the existing credit, and substantially less than the system benefits and cost savings that are provided to all PEF ratepayers by interruptible loads. This will in tum reduce the proposed ECCR factor for the January-December 2010 period.

Q **WHAT ARE THE INTERRUPTIBLE DEMAND CREDITS?**

A The Interruptible Demand Credits are payments made to customers that purchase interruptible power. These customers agree to curtail service when capacity is needed to serve firm customers. As described below, the utility may shut these customers off with no notice when capacity is needed. Thus, they pay a lower rate because they receive a lower quality of service than do firm customers.

Q **WHAT IS INTERRUPTIBLE POWER?**

A Interruptible power is a tariff option that allows a utility to curtail interruptible load when resources are needed to maintain system reliability; that is, when there are insufficient resources to meet customer demand, a utility can curtail interruptible load. This allows the utility to maintain service to firm (*i.e.*, non-interruptible) customers. Interruptible power is a lower quality of service than firm power. PEF does not include interruptible load in determining the need for additional capacity. For resource planning purposes, PEF avoids the need to plan capacity additions, including associated reserve requirements, to serve interruptible load. Thus, PEF avoids capital, operation and maintenance (O&M), fuel, emissions, spare parts inventory, labor, property tax and other costs related to the capacity that PEF otherwise would need, or incur sooner, were this resource not available. This resource thus provides significant immediate and long term benefits to PEF and all PEF ratepayers.

Under its prevailing tariffs, PEF can interrupt service to these loads with no advance notice. As I explain in more detail below, this is especially important

for system reliability because this allows PEF to use this resource as contingency reserve. PEF has roughly 300 MW (megawatts) of interruptible load on its system today, making it an important resource for both planning purposes and for assuring PEF system reliability. In addition, much of this capacity is provided by large manufacturing customers, which allows PEF to quickly and efficiently shed large blocks of load to avert system emergencies that may affect other PEF customers.

Q CAN INTERRUPTIBLE POWER PROVIDE ANY OTHER BENEFITS?

A Yes. The Florida Reliability Coordinating Council (FRCC) requires that all reserve sharing groups and balancing authorities maintain adequate Contingency Reserves to cover the FRCC's most severe single contingency, which is currently 910 MW. Of this amount, PEF's contingency reserve requirement is currently 179 MW (*FRCC Handbook*, FRCC Contingency (Operating) Reserve Policy, Appendix A, November 2008). PEF must supply this reserve when called upon to replace reserve capacity that is no longer available due to sudden forced outages of major generating facilities or the loss of transmission facilities.

Contingency reserves may be comprised of those generating resources and Interruptible Load that are available within 15 minutes. Thus, interruptible power can be used to meet PEF's contingency reserve obligations.

In fact, interruptible customers must curtail usage at any time (without limit as to the number of interruptions or the duration of each interruption) whenever "... the Company's available generating resources is required to a) maintain service to the Company's firm power customers and firm power sales

commitments or b) supply emergency interchange service to another utility for its firm load obligations only" (*Rate Schedule IS-1, Twenty-Third Revised Sheet No. 6.250).* In other words, PEF's IS customers can be interrupted to meet the emergency demands not just of PEF, but of any FRCC utility in peninsular Florida. Also, some of PEF's older combustion peaking resources cannot be started in time to satisfy this requirement. Therefore, paying interruptible customers to provide capacity is less costly than building new capacity.

Q IS INTERRUPTIBLE POWER AN IMPORTANT RESOURCE FOR THE STATE OF FLORIDA?

A Yes. The interruptible tariffs have been in place for decades. As discussed above, they have been (and currently are) a valuable resource to PEF and to the State as a whole. When capacity is needed to serve firm load customers, interruptible customers, statewide, may be called upon (with or without notice and without limitation as to the frequency and duration of curtailments) to discontinue service so that service will be maintained for the firm customer base. Such interruption often causes production processes of interruptible customers to be shut down resulting in economic losses for the interruptible customers.

Q IS THE VALUE OF INTERRUPTIBLE POWER AFFECTED BY THE FREQUENCY AND DURATION OF PHYSICAL INTERRUPTIONS?

A No. Interruptible power provides "insurance" in the event that the utility experiences extreme weather, understates load growth, or sustains forced outages of a major resource. As the FERC has found:

> *61804 **[E]ven a limited right of interruption**, if it enables the Company to keep a customer from imposing demands on the system during peak periods, **gives a Company the ability to control its capacity costs.** Therefore, that customer shares no responsibility for capacity costs under a peak responsibility method.
>
> It is, thus, the right to interrupt that is critical to the analysis, and not the actual interruptions or even the number or length of such interruptions. If a Company can keep a customer from imposing its load on the system at system peak, as Entergy can do here, then, under the peak responsibility method of cost allocation that Entergy uses, "that customer shares no responsibility for capacity costs...."
>
> 75. . . .When a utility makes a commitment to serve firm load, it commits to serve that load at all times (absent a force majeure event on the system). When a utility makes a commitment to serve interruptible load, it does not commit to serve that load at all times. **To the contrary, it expressly reserves the right to interrupt (even if there is no force majeure event on its system).** Moreover, when it curtails interruptible load, it does so to protect its service to its firm load. That is, it curtails interruptible load precisely because it has not undertaken to construct or otherwise acquire the necessary facilities to serve interruptible load at all times and most particularly when use of the system is peaking; for firm load, in contrast, it has undertaken to construct or otherwise acquire such facilities. (106 FERC ¶61,228, at 14 16; emphasis added).

Q HOW SHOULD THE COMMISSION ENCOURAGE THIS VALUABLE RESOURCE?

A The Commission should reject PEF's proposal (in its pending rate case) to close Schedule IS-1 and to transfer the IS-1 customers to Schedule IS-2 because it would reduce the Credits by 44%. This would create a significant disincentive for loads to continue under interruptible service. Interruptible service is actually far more valuable to PEF and PEF ratepayers than the existing IS-1 and IS-2 credits provide. The Interruptible Demand Credits in IS-1, IS-2, and SS-2 should be

increased to at least $10.49 per kW-month of capacity based on PEF's most recent cost-effectiveness analysis. Further, the Credit should not be load factor adjusted.

Q HOW WOULD PEF'S PROPOSAL TO CLOSE SCHEDULE IS-1 IN ITS PENDING BASE RATE CASE REDUCE THE INTERRUPTIBLE DEMAND CREDIT?

A Schedule IS-1 customers currently receive a $3.62 per kW-month credit. The corresponding credit for Schedule IS-2 customers is $3.31 per kW-month of load factor adjusted demand. PEF is proposing to eliminate Schedule IS-1 and move customers to Schedule IS-2. The combined IS-1/IS-2 class is projected to have an average billing load factor of about 61%. This would result in an average load-factor adjusted credit of $2.02. Thus, the Company's proposal would result in a 44% reduction in the interruptible credits currently paid to Schedule IS-1 customers, despite the fact that the current credits are too low.

Q IS IT APPROPRIATE TO REDUCE INTERRUPTIBLE DEMAND CREDITS BY 44% FOR ANY INTERRUPTIBLE CUSTOMER?

A No. PEF's proposed reduction would significantly discourage continued participation in this valuable service and more importantly, PEF has severely undervalued the credit. Rather than decreasing the credits, such credits should be increased. For example, PEF's *2009 Ten-Year Site Plan* identifies the next capacity additions as Units P4 and P5 at the Suwannee Plant with a projected in-service cost of $800 per kW (which is the average of Unit P4 at $976 per kW and

Unit P5 at $672 per kW). The projected cost is well above PEF's embedded generation capacity cost.

Q HAS PEF CALCULATED THE LEVEL OF INTERRUPTIBLE DEMAND CREDIT THAT WOULD BE COST-EFFECTIVE?

A Yes. PEF provided an updated cost-effectiveness test that shows that the resulting credit for interruptible customers should be $10.49 per kW-Month of capacity (Docket No. 090079, *PEF's Response to FIPUG's Production of Documents Request No. 34*). A copy of this response is provided in **Exhibit JP-1**.

Q SHOULD THE INTERRUPTIBLE DEMAND CREDIT BE INCREASED?

A Yes. PEF is projecting a need for additional cost-effective non-firm load. It is unreasonable to expect an increase in non-firm load by paying only $3.31 per load factor adjusted kW. The present cost-effective interruptible credit is $10.49 per kW-month of capacity.

Q SHOULD THE INTERRUPTIBLE DEMAND CREDIT BE REDUCED BY A CUSTOMER'S LOAD FACTOR?

A No. The customer should be paid the full credit based on the amount of load available for curtailment.

Q IS A LOAD FACTOR ADJUSTMENT VALID?

A No. First, PEF's proposal uses a customer's billing load factor as a proxy for the customer's coincidence factor. This approach assumes that load factor and coincidence factor are the same. They are not. The interruptible class has a

61% billing load factor. However, the average coincidence factor (with PEF's monthly system peaks) is 68%.

Further, PEF has not provided any data supporting a load factor adjustment. This adjustment assumes there is a linear relationship between a customer's billing load factor and that customer's demand coincident with PEF's monthly system peaks. Even assuming this were true, a load factor adjustment would not be appropriate because PEF may impose interruptions at any time. The load factor adjustment assumes, erroneously, that interruptions only occur coincident with PEF's monthly system peaks.

Finally, the load factor adjustment would unduly penalize interruptible load relative to PEF's generation resources. None of PEF's generation units have 100% availability. All experience planned and unplanned outages (that may occur during peak or off-peak periods). Just as the Commission doesn't reduce production plant cost recovery when these units might not be available to deliver power, it should also not load-factor adjust the Interruptible Demand Credit when interruptible customers are not operating at full capacity during PEF's monthly system peaks.

Q WHY DO YOU CONTEND THAT THE RELATIONSHIP BETWEEN LOAD FACTOR AND COINCIDENCE FACTOR IS NOT LINEAR, AS PEF ASSUMES?

A The relationship between load factor and coincidence factor is known as the "Bary Curve." An example of a Bary Curve is provided in **Exhibit JP-2**. As can be seen, the load factor/coincidence factor relationship is curvilinear; that is, it increases rapidly from 0% to 25% load factor and at load factors above 80%.

However, there is virtually no change in coincidence factor for load factors ranging from 25% to nearly 80%. I would note that the vast majority of PEF's interruptible customers have billing load factors that fall in this range. Thus, load factor is not necessarily a valid predictor of coincidence factor, except at very low and very high load factors.

Q WHAT IS THE CONSEQUENCE OF THIS NON-LINEAR RELATIONSHIP BETWEEN LOAD FACTOR AND COINCIDENCE FACTOR?

A Because the vast majority of PEF's interruptible customers have load factors within the 25% to 80% range, where there is little variation in coincidence factor, there is no justification for reducing the Interruptible Demand Credit by a customer's load factor. Therefore, the Interruptible Demand Credit should not be less than $7.13 per kW-Month ($10.49 x 68%) of billing demand.

Q SHOULD ANY OTHER CHANGES BE MADE TO SCHEDULE IS?

A Yes. If the Commission establishes the Interruptible Demand Credit in this proceeding and assuming that the Credit will be reset in subsequent ECCR cases, existing customers should have the option of locking-in the credit for at least three years. This will provide more stability than resetting the credits annually and is consistent with the tariff requirement that loads give PEF 36 months notice to transfer from IS-2 to firm service. A stable rate design is important to ensure customer participation. It is also consistent with the treatment approved in TECO's last base rate case.

Q ARE THERE ANY OTHER IMPLICATIONS OF HIGHER AVOIDED CAPACITY COSTS ON ANY OF PEF'S OTHER CONSERVATION PROGRAMS?

A Yes. PEF's Schedule GSLM-2 provides capacity and energy payments to customers that agree to deploy standby generators at PEF's request. Such deployments may occur as often as twice daily for up to twelve hours per day (or longer in case of emergencies). The current capacity payment can be as high as $2.76 per kW if the generator is required to run more than 200 cumulative running hours during the past twelve months. This tariff was last changed in August 2007, and PEF is not proposing any change in this proceeding.

Q HAVE YOU CONDUCTED AN ANALYSIS TO DETERMINE A CAPACITY PAYMENT THAT IS COST-EFFECTIVE?

A No. However, I would note that the present capacity payment is well below PEF's current avoided capacity cost.

Q HOW SHOULD THIS ISSUE BE ADDRESSED?

A I recommend that the Commission order PEF to prepare an updated cost-effectiveness analysis to determine whether the capacity payments should be increased. This analysis should be conducted immediately so that any appropriate changes can be timely implemented for January 2010 billings.

3. FLORIDA POWER & LIGHT COMPANY

Q WHAT ISSUES DOES FPL'S ECCR FILING RAISE?

A First, FPL has understated the amount of the incentive payments that should be recovered from all customer classes. This error is reflected in the projected ECCR factors. Second, FPL is not proposing to change the demand credits paid to CDR customers. This is improper because the current rate, which was initially set in 2004, no longer reflects the value of interruptible power.

CILC Program Costs

Q HOW HAS FPL UNDERSTATED THE PROJECTED CILC PAYMENTS?

A Based on the projections filed in its pending rate case, the cost of the CILC program is $53.2 million. However, as shown in the chart below, only $30.6 million would be allocated to all customer classes.

Rate	CILC Payments Embedded in the Proposed Rate Design			CILC Payments Assumed in Determining Class Revenue Requirements ($ Millions)
	Firm On-Peak - Load Control Charge ($/kW)	Load Control Billing Demand (MW)	Embedded CILC Payments ($ Millions)	
CILC-D	$7.26	4,942.9	$35.9	$19.7
CILC-G	$6.99	395.6	$2.8	$1.4
CILC-T	$6.92	2,104.7	$14.5	$9.5
TOTAL	$21.17	7,443.2	$53.2	$30.6
Source: MFR Schedule E-14 in Docket No. 080677-EI.				

Thus, the CILC customers would absorb about $22.6 million of incentive payments. I will update the chart after FPL has responded to FIPUG's discovery requests.

Q SHOULD CILC CUSTOMERS PAY $22.6 MILLION OF THE INCENTIVE PAYMENTS UNDER THE CILC PROGRAM?

A No. It would be unfair to require CILC customers to pay $22.6 million or 42.5% of the total program costs when these customers account for only 3.5% of FPL's production plant costs. The $53 million is the cost of funding the CILC program. The program costs should be recovered from all customer classes through the ECCR.

Q WHAT IS THE IMPACT OF APPROPRIATELY COLLECTING THE CILC COSTS?

A The impact is to increase the CILC incentive costs recoverable in the ECCR. FPL is currently projecting $28.8 million of CILC incentives (FPL *Schedule C-2*, page 3). The correct amount of the incentive payments will be closer to $50 million, as demonstrated above.

Q IS THE TOTAL COST OF THE CILC PROGRAM KNOWN TODAY?

A No. The CILC program cost will ultimately depend on the level of the incentive payments. The latter are related to the Firm On-Peak Demand charge and the Load Control charge. The incentive payments are the product of (1) the difference between Firm On-Peak Demand charge and the Load Control charge and (2) the Load Control billing demand. However, these charges will not be

known until the Commission issues a final order in FPL's pending base rate case and the compliance tariffs are approved.

Q SHOULD THE FULL AMOUNT OF INCENTIVE PAYMENTS TO CILC CUSTOMERS BE REFLECTED IN FPL'S ECCR?

A Yes. The ECCR should allow FPL the opportunity to recover the CILC program costs. Thus, the current recovery proposed by FPL in this docket must be changed.

CDR Rider

Q WHAT IS THE COMMERCIAL/INDUSTRIAL DEMAND REDUCTION RIDER?

A The CDR Rider is an optional service under which a customer can elect to have its electricity curtailed under a variety of circumstances. The customer is required to have load control equipment installed to provide FPL direct control over the customer's electrical load. Thus, curtailments are made by FPL and not by the customer. This equipment is paid for by the customer through an additional Customer Charge. In return for agreeing to curtail load, the participating customers receive a credit. The current and proposed CDR Rider Credit is $4.68 per kW of the Customer's Utility Controlled Demand.

Q UNDER WHAT CIRCUMSTANCES CAN FPL CURTAIL LOAD UNDER THE CDR RIDER?

A Load may be curtailed under any of the following circumstances:

> Control Condition:
> The Customer's controllable load served under this Rider is subject to control when such control alleviates any emergency conditions or capacity shortages, either power supply or

> transmission, or whenever system load, actual or projected, would otherwise require the peaking operation of the Company's generators. Peaking operation entails taking base loaded units, cycling units or combustion turbines above the continuous rated output, which may overstress the generators.

Thus, curtailments may occur during shortages of either generation or transmission capacity.

Q **HOW MUCH NOTICE IS REQUIRED BEFORE FPL CAN CURTAIL A CUSTOMER'S LOAD?**

A The tariff states that FPL will typically provide four hours advance notice. In emergencies, the required notice is 15 minutes. However, FPL reserves the right to interrupt in "less than 15 minutes' notice ... in the event that failure to do so would result in loss of power to firm service customers or the purchase of emergency power to serve firm service customers."

Q **HAS FPL MADE SHORT NOTICE CURTAILMENTS?**

A Yes.

Q **IS THE SERVICE PROVIDED TO CDR RIDER CUSTOMERS THE SAME AS THE SERVICE PROVIDED UNDER FPL'S FIRM TARIFFS?**

A No. CDR Rider customers can be curtailed (on very short notice) to allow FPL to continue serving its firm customers. This includes instances when FPL is short of operating reserves. Further, FPL does not include load management programs in determining its future capacity needs (FPL, *Ten-Year Site Plan* at 51 and Schedules 7.1 and 7.2). Thus, CDR Rider customers receive a lower quality of service than firm service customers.

Q IS FPL PROPOSING TO REVISE THE CDR RIDER CREDIT?

A No. FPL is not proposing to change the CDR Rider credit either in this proceeding or in its pending rate case.

Q DID FPL RAISE THE CDR RIDER CREDIT ISSUE IN THE CONSERVATION GOALS DOCKET?

A No.

Q SHOULD THE CDR RIDER CREDIT REMAIN AT $4.68 PER KW?

A No. The CDR Rider credit has not changed since 2004. However, costs for new generation and transmission capacity, upon which the CDR Rider is based, have increased since 2004. These higher costs are reflected in FPL's most recent *Ten-Year Site Plan*. For example, West County Energy Center (WCEC) Units 1 and 2 are projected to cost $512/kW based on 2009 in-service dates. However, WCEC-3 (2011 in-service date) is projected to cost over $780/kW, while subsequent capacity additions are projected to cost over $1,000/kW.

Further, load management is an important resource for the State of Florida. Interruptible tariffs have been in place for decades. In fact, FPL is projecting significant growth in non-firm load. Thus, this load has been and is projected to be a valuable resource to FPL and to the State as a whole. When capacity is needed to serve firm load customers, interruptible customers, statewide, may be called upon (with or without notice and without limitation as to the frequency and duration of curtailments) to discontinue service so that the lights will stay on for the firm customer base. Such interruptions often cause production to be shut down, resulting in losses for the interruptible customer.

Q IS THE PRESENT CDR RIDER CREDIT REASONABLE?

A No. The Commission should increase the CDR Rider credit to at least $5.50/kW. This modest increase would allow the Rider to remain a viable non-firm rate option and encourage greater participation. The derivation of the $5.50/kW credit is shown in **Exhibit JP-3**.

Q HOW DID YOU DETERMINE THAT THE CDR RIDER CREDIT SHOULD BE INCREASED TO AT LEAST $5.50/KW?

A The $5.50/kW Credit is based on FPL's most recent Standard Offer filing (Docket No. 090166, filed April 1, 2009). FPL has conservatively assumed that its next avoided unit will not come on line until 2021. Thus, I discounted the 2021 avoided capacity cost to the period 2010 through 2012, which is the period in which FPL's new base rates are assumed to be in effect. This results in an avoided cost of $5.62 per kW at the generator (line 6). Adjusted for losses to secondary voltage, the avoided cost becomes $6.06 per kW at the meter (line 8). I then reduced the credit to $5.50 per kW to ensure that the benefit would outweigh the cost.

Q WHY DO YOU CHARACTERIZE THE $5.50 AS CONSERVATIVE?

A FPL's avoided unit assumptions are based on projected lower load growth and the timely completion of its Turkey Point Units 6 and 7 in 2018 and 2020, respectively. These units will be among the first advanced design nuclear plants to be commissioned in the United States. No advanced design nuclear plants have been built and placed in operation in the U.S. Thus, there is considerable risk of delay. In fact, PEF recently announced a two-year delay of its planned

advanced design nuclear units. These units are of the same design and manufacture as the Turkey Point additions. Any delay in completing these units may require FPL to add capacity sooner than 2021.

Q SHOULD ANY OTHER CHANGES BE MADE TO SCHEDULE IS?

A Yes. For the reasons discussed previously in connection with PEF's Interruptible Demand Credit, if the Commission decides to reset Rider CDR annually, customers should have the option of locking-in the credit approved in this proceeding for at least three years.

4. ECCR RATE DESIGN

Q SHOULD ANY CHANGES BE MADE TO THE DESIGN OF THE ECCR?

A Yes. Both FPL and PEF are proposing to recover conservation program costs allocated to all customer classes entirely on a kWh (kilowatt hour) basis. This is inappropriate for several reasons.

First, an increasing amount of conservation program costs are demand-related. Second, in a proper cost-based rate design, demand-related costs should be recovered on a demand or kW basis. Finally, TECO's ECCR factors are already stated on a kW basis for its General Service Demand (GSD), Standby Firm (SBF), and Interruptible Service (IS) rates. This treatment was approved in Docket No. 080002-EG.

These are compelling reasons to require FPL and PEF to revise the ECCR factors to a demand billing for their demand-metered rate classes.

Q WHAT PORTION OF FPL'S AND PEF'S CONSERVATION PROGRAM COSTS ARE DEMAND RELATED?

A The projected costs are summarized in the table below:

Utility	Projected Conservation Costs	Demand-Related Costs	Percent of Demand Related Costs
FPL	$179,713,962	$116,472,616	64.8%
PEF	$87,007,177	$51,440,371	59.1%

As can be seen, the majority of the projected conservation program costs are demand-related. If PEF's Interruptible Demand Credits are increased and/or

FPL's CILC incentives are restated, as I am recommending, the share of demand-related conservation costs would be even higher than is shown above.

Q WHY IS IT APPROPRIATE TO RECOVER DEMAND-RELATED COSTS THROUGH A DEMAND CHARGE?

A This is consistent with cost-causation. That is, peak demands are causing the majority of the projected conservation costs. Further, rate design determines how the costs that are allocated to each customer class are to be allocated or recovered from the customers within each class. Thus, rate design is a continuation of the cost allocation process. Therefore, a proper rate design should mirror the way that costs are allocated. This means that demand charges should reflect demand-related costs. A rate design that mirrors the cost allocation process will send the appropriate price signals to customers.

Q IS THERE ANY PRECEDENT FOR KW BILLING OF COST RECOVERY CLAUSES?

A Yes. Currently, both FPL and TECO bill the Capacity Cost Recovery (CCR) clause on a demand basis. And, as previously stated, TECO is currently billing its ECCR costs on a demand basis for its demand-metered classes.

Q WOULD RE-DESIGNING THE ECCR ON A KW BASIS POSE ANY PROBLEMS?

A No. Both FPL and PEF have projected billing demands for 2010 in their pending base rate cases. Thus, neither utility has to create a new process to re-design the ECCR from a kWh to a kW charge.

Q PLEASE SUMMARIZE YOUR RECOMMENDATION?

A FPL should re-state the proposed ECCR factors into a per kW charge for the GLSD (and related), standby, and CILC rates. PEF should re-state its proposed ECCR factors into a per kW charge for the General Service Demand, Curtailable, Interruptible, and Standby rates. These changes are consistent with the principle of cost-causation and Commission precedent and will send more accurate price signals to customers.

Q DOES THIS CONCLUDE YOUR TESTIMONY?

A Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF JOHN R. HANEY

DOCKET NO. 090002-EG

OCTOBER 14, 2009

Q. Please state your name and business address.

A. My name is John R. Haney, and my business address is 9250 West Flagler Street, Miami, Florida 33174.

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

A. I am employed by Florida Power & Light Company (FPL) as Director, Demand Side Management.

Q. Please describe your duties and responsibilities in that position.

A. I am responsible for the development and product management of Demand Side Management (DSM) programs for FPL's residential and business customers. This includes the development, implementation, on-going management, measurement and verification of DSM programs offered to FPL's customers.

Q. Please state your educational background.

A. I received a Bachelor of Science degree in Civil Engineering from Mississippi State University in 1981.

Q. Please provide your employment history.

A. I was hired by FPL in 1981 in the Marketing department to perform residential and commercial/industrial (C/I) energy audits. In addition to working with home and business owners, I had the opportunity to work with builders to help them implement energy efficiency in new construction. I also worked with FPL's participating independent contractors to improve their participation in FPL's DSM programs. I was then given the opportunity to move into a staff position within the Marketing department as a program manager of FPL's DSM programs. My responsibilities grew to managing the team responsible for residential programs.

In 1996, I joined FPL Services to manage the implementation of energy efficiency measures for large government and institutional customers. I started as a project development engineer and was ultimately promoted to General Manager of FPL Services. I served in that capacity until 2002, when I became Director of Marketing for FPL. In 2008, I became FPL's Director of DSM.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to rebut the testimony of the Florida Industrial Power Users Group's (FIPUG's) witness Jeffrey Pollock. I will address why FPL's incentive payments for the Commercial/Industrial Load

Control (CILC) and Commercial/Industrial Demand Reduction (CDR) customers are appropriate and in the best interest of FPL's customers.

Q. Please summarize your testimony.

A. The issues raised by Mr. Pollock are not appropriate for the Energy Conservation Cost Recovery (ECCR) Docket. The purpose of the ECCR Docket is to determine the reasonable and prudent costs related to FPSC approved DSM programs that will be recovered from customers through the ECCR factor. There is a separate, distinct process in place by which FEECA utilities such as FPL propose DSM goals, and the FPSC reviews and approves DSM goals for those utilities. The utilities then develop plans including incentive levels for CILC and CDR to meet the approved goals. The FPSC reviews and approves those plans.

FPL believes that we can and must achieve important energy efficiency goals while also ensuring that electricity remains affordable for all of our customers. These are not incompatible goals but they do require a balanced approach.

To help ensure affordable rates to all customers, the objective of FPL's DSM programs is to meet the FPSC-approved DSM goals in the most cost-effective manner. This ensures that the costs customers pay through the ECCR clause for achieving those goals are minimized. A key component of the DSM program cost is the incentive amount paid to participants.

Incentives are developed to maximize program participation while minimizing ECCR charges for **all** customers. If an increase in the incentive payments is unnecessary to achieve the desired level of participation, then FPL would not and should not increase the payments. Doing so would simply increase the cost of the program to the general body of customers with no additional cost-effective benefits.

Mr. Pollock's proposals run counter to this important principle of cost minimization. He suggests that FPL should provide higher incentives for the CILC and CDR customers, even though the CILC rate is closed and participation in the CDR Rider is already above its goal. Again, FPL's position is to maximize participation while minimizing DSM program costs, thus resulting in lower electric rates for all customers.

In fact, following this principle has allowed FPL's Demand Side Management Programs to become the largest in the United States according to the United States Department of Energy.

Q. Is this the appropriate docket in which to address incentive levels for DSM Programs?

A. No. Issues related to incentive levels are properly addressed during the DSM Plan phase of the DSM Goals Docket. FPL currently has an open DSM Goals Docket (Docket No. 080407-EG) before the Commission and will address changes to existing DSM program incentive levels during the

DSM Plan phase in early 2010. It is premature to discuss incentive levels for DSM programs. A DSM Plan will be developed after the DSM goals have been approved by the FPSC, but that approval is still pending.

Q. Is it appropriate to calculate higher incentive levels for CILC and CDR?

A. No. If a larger than needed incentive level is considered appropriate for CILC and CDR customers, then logically the same methodology should be applied to all DSM programs including Residential On-Call. This would unnecessarily increase the ECCR costs with no additional cost effective benefits to FPL's customers.

Q. What has been FPL's recent experience with lowering the incentive level for the Residential On-Call Program?

A. In April 2003 FPL lowered its Residential On-Call incentive to its current level which is significantly lower than the previous incentive level. FPL has not experienced any decline in participation in its Residential On Call programs as a result of the change. To the contrary, FPL has continued to experience success and has added 400,000 customers to the Residential On-Call Program since April 2003 which represents approximately 50% of FPL's current participation. This experience suggests that, if anything, the CILC and CDR incentives should be *reduced,* rather than increased as Mr. Pollock argues.

I. CILC PROGRAM COST

Q. Do you agree with FIPUG witness Pollock's assertion at page 18 that the incentives for CILC customers should increase by $22.6 million in 2010?

A. No. The Commercial/Industrial Load Control program (Rate Schedule CILC-1) has been closed to new customers since December 31, 2000. Consequently, because no new customers can be signed up for CILC, no additional MW or MWh savings will be obtained from the CILC Program. There is no economic justification for increasing the incentives for a closed rate, as the increased incentives will result in higher electric rates for all customers while providing absolutely no additional benefits.

Q. Has FPL understated the projected CILC payments?

A. No. The CILC incentives estimated to be paid in 2010 are based on a twelve-month rolling average of the actual monthly incentives paid for the first half of 2009 and an estimate for the second half of 2009. The estimated incentives for the second half of 2009 are based on a twelve month rolling average of the prior actual twelve months.

The CILC incentives are calculated based on a methodology approved by the FPSC in Docket No. 891045-EG, (Order Nos. 22747 and No. 22837). Nothing in Mr. Pollock's testimony would justify a departure from that approved methodology.

Q. Do you agree with Mr. Pollock's calculation of the incentive level for CILC customers in 2010?

A. No. The CILC incentive projections are based on a twelve month rolling average which are derived from actual numbers that are based on a Commission approved methodology. FPL's projections of $28.8 million in this Docket are reasonable. Therefore, Mr. Pollock's assertion that the incentive level of the CILC program is $53.2 million is grossly overstated.

Q. Do you agree with Mr. Pollock's claim that CILC customers absorb program costs above the incentive levels?

A. No. FPL is currently providing the full amount of the incentive based on the methodology authorized by the Commission, and the cost of the incentive is allocated to all customer classes per the approved ECCR mechanism. Mr. Pollock's argument on the CILC incentive is confusing. He incorrectly calculates a larger amount of incentives than what FPL actually gives, then claims that the incremental incentive amount is charged back to the CILC customers. This is not at all what happens. In fact, the CILC customers receive the full program incentive based on the Commission approved methodology, and only that amount. The cost of the incentives is properly recovered from the general body of customers through the ECCR factors.

II. CDR RIDER

Q. Do you agree with Mr. Pollock's position that the CDR rider credit should be increased?

A. No. The CDR rider credit of $4.68 was approved by the FPSC as cost-effective during FPL's 2004 DSM Plan docket. Mr. Pollock provides no valid basis for deviating from that approved level.

Q. Should the CDR rider Credit remain at $4.68/kW?

A. Yes, at least until the new DSM Plan is approved. Once the FPSC determines FPL's DSM Goals for 2010-2019, FPL will develop DSM programs to meet those goals. As part of that process, the cost-effectiveness of the CDR rider credit will be reevaluated. However, I should note that FPL is currently above its 2004 cumulative goal and there are sufficient potential program participants at the current incentive level to meet FPL's proposed goals for at least several years. Based on these facts, there appears to be no need to increase the CDR rider incentive level. However, the appropriate level of the CDR rider credit will be established during the DSM Plan phase of the DSM Goals docket.

Q. Would it be prudent for FPL to increase the CDR rider credit as Mr. Pollock proposes?

A. No. FPL's customers should only have to pay incentives necessary to encourage additional customer adoption of DSM measures to meet approved goals. To do otherwise would unnecessarily enrich large commercial and industrial customers at the expense of all others and not produce any incremental benefits. As mentioned above, there is sufficient participation and others have made it clear that they are prepared to enroll at the current level of the CDR rider credit. Therefore, it would not be

prudent to increase the credit amount and increase the cost to the general body of customers.

Q. Do you agree with Mr. Pollock's assertion at page 20 that CDR Rider customers receive a lower quality of service than firm service customers?

A. No. All customers, regardless of rate schedule or rider, receive the same high quality of service. The difference between the firm and non-firm customer is FPL's agreement with non-firm customers to interrupt their service during a load control event. Non-firm customers have voluntarily entered into a contractual obligation to participate in return for paying an overall lower price for electricity.

Q. What conclusions do you draw about Mr. Pollock's proposals?

A. CILC and CDR are both approved programs, and thus should be treated as all other load management and energy efficiency programs. The objective of FPL's DSM programs is to meet FPSC goals in the most cost-effective manner, while minimizing DSM program costs and ultimately, electric rates for **all** of FPL's customers. Accordingly, it would not be appropriate to increase the CILC incentive payment or CDR rider credit as Mr. Pollock proposes. By doing so, all customers would experience an increase in their electric bill without any additional benefits and the only customers that would see a net bill reduction would be those that participate in the CILC and CDR programs. FPL's customers should only have to pay customer

incentives necessary to encourage additional customer adoption of DSM measures to meet approved goals.

Q. Does this conclude your testimony?

A. Yes.

PROGRESS ENERGY FLORIDA

DOCKET NO. 090002-EG

REBUTTAL TESTIMONY OF JOHN A. MASIELLO

October 14, 2009

I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name and business address.

A. My name is John A. Masiello. My business address is 3300 Exchange Place, Lake Mary, Florida 32746

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

A. I am employed by Progress Energy Florida, Inc. ("Progress Energy," "PEF," or "the Company") in the capacity of Director, DSM and Alternative Energy.

II. PURPOSE AND OVERVIEW OF REBUTTAL TESTIMONY

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to address certain issues in the Direct Testimony of Jeffry Pollock (on behalf of The Florida Industrial Power Users Group). Specifically, I will rebut Mr. Pollock's recommendation to increase PEF Interruptible/Curtailable Demand Credit to $10.49 per kW of capacity. Additionally, I will speak to the appropriateness of the Standby Generation (GSLM2) credits, currently offered by PEF.

Q. Please describe how your testimony is organized.

A. I will address the following topics in my rebuttal testimony, on behalf of PEF:

- The proposed increase of Interruptible/Curtailable service credits and the potential impact on customer rates
- The appropriateness of the amount of the credits offered by the Company, for its Standby Generation program (GSLM2) credits and
- The proposed option for Interruptible/Curtailable customers to lock-in credits for at least three years

Additionally, please refer to the rebuttal testimony of Nancy Holdstein in Docket No. 090002-EG on behalf of PEF, regarding the following topics:

- The proposed increase of Interruptible/Curtailable service credits
- The appropriateness of using load factor rather than coincidence factor to determine billing demand credits
- The collection of the ECCR costs on a demand basis rather than an energy basis

Q. Are you sponsoring any exhibits with your rebuttal testimony?

A. Yes, I am sponsoring the following exhibit:

- Exhibit No. ___ (JAM-1R) - PEF's Interruptible / Curtailable Event Log 2000-2009

III. REBUTTAL TESTIMONY

Q. Please describe the current incentive paid to PEF's Interruptible/Curtailable Customers.

A. In 2009, 76 Interruptible and Curtailable customers are estimated to receive over $18M in incentives. Based on this appropriate level of participation, the incentives currently paid in this tariff option serve as motivation for companies to enlist in this program. The incentive paid for this participation are of sufficient value to gain participants and maintain the most cost-effective approach to meeting generation needs, while avoiding free ridership.

Q. Do you agree with Mr. Pollock's proposal to increase PEF's Interruptible/Curtailable Demand Credit to $10.49 per kW?

A. No. Mr. Pollock has proposed that these credits be increased to $10.49 per kW of coincident demand based on a RIM screening analysis recently prepared by the Company. This analysis indicated that $10.49 per kW of capacity is the ***maximum amount*** that could be paid to meet a certain cost effectiveness test. Like other demand side management programs, however, there is no need or requirement for ECCR program incentives to be set at the maximum cost effective level. Rather, just the opposite should take place, meaning that incentive payments should be made at the lowest level possible to promote participation in the project while, at the same time, balancing and controlling the cost of incentives to the general body of rate payers. Mr. Pollock's proposal ignores this balance and simply requests a windfall credit amount for his clients that will be subsidized and paid for by PEF's customers; particularly residential customers.

Utilizing the data contained in Ms. Holdstein's Exhibit No. ___ (NLH-1) and applying a reasonable methodology to Mr. Pollock's suggested increase to credits, the IS incentive could increase by $15.1M. This represents an 88% increase in the IS incentive level and nearly doubling the ECCR costs to our customer base. This change would result in an 18% increase to the residential customers' portion of the ECCR charge.

Contrary to Mr. Pollock's proposal that the maximum amount of credit is required to ensure participation in PEF's Interruptible/Curtailable service program, there is not and cannot be any dispute that the current incentive paid has sufficiently and effectively enticed customers to participate in PEF's programs. In fact, the recent interruption history for customers on the IS rate indicates that the value of controlling this load has been rather limited to the Company, as demonstrated in Exhibit No. ___ (JAM-1R) - PEF's Interruptible and Curtailable Event Log 2000-2009. For the period of 2000 – 2009, the Company has only interrupted load 6 times and only twice in the most recent 5 years. The maximum number of interruptions in any one year of this ten-year period was three. Thus, there is no objective evidence, nor good policy reasons supporting the proposition that these credits should be adjusted to their maximum level. In fact, doing so would simply place an unnecessary burden on the rest of the Company's ratepayers without any commensurate benefit.

Q. How does the Company propose in this proceeding to change the Interruptible and Curtailable credits?

A. The proposed Interruptible/Curtailable rate schedule is addressed in Nancy

Holdstein's rebuttal testimony in Docket No. 090002-EG.

Q. Do you agree with Mr. Pollock assessment that the Standby Generation program, tariff schedule GSLM-2, credits should also be adjusted?

A. No. Mr. Pollock offers no evidence or analysis that suggests these credits need to be increased. In fact, the Company has experienced a 290% increase in the number of facilities participating in this tariff since 2006, mainly from the grocery store and hospital industries.

Q. Do you agree with Mr. Pollock's proposal to provide Interruptible/Curtailable customers with the option to lock in credits for at least three years?

A. Yes. We find this provision consistent with the current standards for this program, and would endorse this request by further clarifying this option in our Program Plan Filing.

IV. SUMMARY AND CONCLUSION

Q. Can you summarize the key points of your rebuttal testimony?

A. Yes. There is no need to increase the amount of credits to be paid to Interruptible/Curtailable or Standby Generation service customers, as the credits currently being paid to these customers fairly values their contribution while balancing costs for all rate classes. Maintaining these credits fairly recognizes the IS customer without increasing rates or resulting in undue impacts on other rate classes.

Q. Does this conclude your testimony?

A. Yes.

PROGRESS ENERGY FLORIDA

DOCKET NO. 090002-EG

REBUTTAL TESTIMONY OF NANCY L. HOLDSTEIN

October 14, 2009

I. INTRODUCTION AND QUALIFICATIONS

Q. State your name and business address.

A. My name is Nancy L. Holdstein. My business address is Progress Energy, 299 First Avenue North, St. Petersburg, FL 33701.

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

A. I am employed by Progress Energy Service Company, LLC as a Principal Regulatory Specialist in the Utility Regulatory Planning Department.

Q. What are your duties and responsibilities?

A. I am responsible for cost of service issues including the determination of jurisdictional and class cost of service, rate design, and tariff administration matters for Progress Energy Florida ("PEF" or the "Company").

II. PURPOSE AND SUMMARY OF REBUTTAL TESTIMONY

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to address certain issues in the Direct Testimony of Jeffry Pollock, filed in this matter on October 2, 2009.

Q. Do you have any Exhibits to your testimony?

A. Yes, I am sponsoring the Exhibit No. ____ (NLH-1) – Summary of Current and Proposed IS/CS credits.

Q. Please summarize your rebuttal testimony.

A. I will address several issues raised by Mr. Pollock in his direct testimony. They include:

1. The assertion that the Company proposed a 44% decrease in interruptible credits in its pending base rate proceeding;
2. The appropriateness of using load factor rather than coincidence factor to determine billing demand credits; and
3. The collection of the ECCR costs on a demand basis rather than an energy basis.

III. REBUTTAL TESTIMONY

Q. Did the Company propose a 44% decrease in the interruptible credits in its pending base rate proceeding (Docket No. 090079-EI) as Mr. Pollock asserts?

A. No. In the rate case rebuttal testimony of witness Slusser, the Company indicated that the level of credits was not an issue for the base rate proceeding, but should be reviewed in the conservation docket. In fact, the overall amount of credits projected in the Company's ECCR projection filing was indeed comparable to the prior year's credits. Thus, Mr. Pollock's assertion in this regard is incorrect.

Q. What changes did the Company propose to its interruptible and curtailable rate schedules in the base rate proceeding?

A. The Company proposed to eliminate the IS-1, IST-1, CS-1, and CST-1 tariffs which have been closed to new customers since 1996 and transfer the customers under these tariffs to the open IS-2, IST-2, CS-2, and CST-2 tariffs. In addition, the Company proposed to combine the interruptible and curtailable rate classes for establishing cost of service and setting rates, indicating that the only distinction need be the amount of the credit given that curtailable load is considered to be a less valuable resource since the Company does not have direct control of that load.

Q. How does the Company propose in this proceeding to change the interruptible and curtailable credits?

A. The Company proposes to set the credits for the open tariffs at a level that equates the total projected annual credit amounts approximately equal to the current credit amounts of $20 million. The Company's analysis shows that this amount should be $5.65 per coincident kW for IS customers and $4.24 per coincident kW for CS customers (75% of the IS credit value). These credits, when applied to the combined class's load factor adjusted billing demand, will yield total annual credit amounts approximately equal to the current credit amounts for the combined class. Unlike Mr. Pollock's proposal, this proposal is equitable to both the combined rate class (interruptible and curtailable) and to PEF's other rate classes.

Q. Do you agree with Mr. Pollock's argument that the credits should be adjusted by the coincidence factor rather than the load factor?

A. No. The Company's open tariffs, IS-2, IST-2, CS-2 and CST-2, provide for load factor adjusted billing credits. Mr. Pollock attempts to demonstrate that there is a significant difference and/or a non-linear relationship between the coincidence

factor and the load factor. This distinction, however, is irrelevant. The Company has demonstrated in the past (and the Commission has agreed) that a customer's billing load factor is a suitable proxy for coincidence factor.

The relevant issue is not whether the credit should be adjusted by the load factor or the coincidence factor, but whether the adjustment to convert the coincident credit per kW to a billing credit should be made at the class level (as is the method used in the Company's closed tariffs) or whether the adjustment should be made at the individual customer level (as is the method used in the Company's open tariffs). I discuss directly below why an adjustment at the customer level is the appropriate method.

Q. Why do you believe that the adjustment to convert the coincident credit per kW to a billing credit is more appropriately done at the customer level?

A. When the Company developed its closed tariffs, the class coincidence factor was used to derive a class credit value to be applied to each individual customer's maximum billing demand. As the Company learned from its experience with these tariffs, however, this method fails to recognize the true value to the Company of each individual customer's controllable load. When the Company developed its current open tariffs, the Company recognized this fact by offering the coincident credit per kW multiplied by the individual customers billing load factor. The Commission recognized both that individual customer value should be reflected in the credits and that billing load factor is a suitable proxy for coincidence factor in its Order No. PSC-96-0842-FOF-EI dated 7/1/96 approving the new IS-2, IST-2, CS-2 and CST-2 tariffs:

> "The revised petition also modifies the manner in which the credit is applied to the customer's load. In the initial filing, the credit was applied to the customer's monthly maximum demand subject to interruption or curtailment. [*3] Under the revised petition, the credit is applied to the customer's maximum monthly demand multiplied by their billing load factor. Under this revised method, customers with higher than average load factors receive a larger total credit than customers with lower load factors. Customers with average load factors of approximately 63% will receive the average IS and CS credits of $ 1.79 and $ 0.94 per KW. This method of billing customers results in the same total amount of credits paid to non-firm customers as if all customers received the same flat credit.
>
> This adjustment of the amount of the credit is justified because load research data indicates that there is a positive relationship between the customer's billing load factor and his coincidence factor. Coincidence factor is a measure of the relationship between a customer's maximum billing demand and his demand at the time of the system peak. Customers with high coincidence factors are more likely to be on the system at the time of peak demand and thus are more likely to provide significant load reductions to the system when interruptions are required.
>
> While the coincidence factor cannot be measured directly, billing load factor, which measures the relationship between the customer's maximum monthly billing demand and his kilowatt hour consumption, has been shown to track coincidence factor. Billing load factor is readily available from billing records and is a suitable proxy for coincidence in adjusting the credits."

Q. How will the Company's proposal affect individual customers?

A. The impact to any individual customer will depend primarily on the customers load factor. Customers with load factors above the class average will see higher credits and customers with load factors below the class average will see lower credit amounts. This is exactly how credits for this program should work because it is more likely that higher load factor customers provide a greater probability that they will have more of their load available for interruption than lower load factor

customers when needed. Said simply, the more that participating customers have to offer with respect to load that can be controlled, the more those customers get paid.

Q. Mr. Pollock suggests that the ECCR charge should be collected on a demand (kW) basis rather than an energy (kWh) basis. Do you agree with this?

A. No. If these rate classes were extremely homogeneous, (i.e. all customers in the class possessed similar load factors, coincident factors, time of use characteristics, etc.), then this rate design might be acceptable. However, the CS/IS rate classes are not homogeneous. Therefore, such a rate design is likely to unfairly burden low load factor customers and to provide an unfair advantage to high load factor customers. Although Mr. Pollock asserts that costs should be collected on the basis they are incurred, rates should be designed in a manner that is reasonable and fair to all customers within a class. For a demand-based rate such as the CS and IS combined class, production demand costs could be collected in either the energy charge or demand charge. In Docket No. 910890-EI, Florida Power Corporation submitted, as part of its load research information for demand measured rate schedules, correlation coefficients between customers' contributions to the Company's 12 monthly peaks and the following: (a) billing kW, (b) billing kWh, (c) on peak demands, and (d) on peak kWh. The load research data showed there to be a stronger correlation of contributions to monthly system peak with kWh energy use than with billing demand. Contribution to monthly system peaks is a primary cost basis for production capacity costs. Thus, PEF finds it appropriate to recover these production demand costs on an energy charge basis.

IV. CONCLUSION

Q. Does this conclude your testimony?

A. Yes.

CHAIRMAN CARTER: And you said you wanted to kind of walk us through the issues?

MS. FLEMING: Yes, sir.

CHAIRMAN CARTER: Let's do it that way then.

MS. FLEMING: The issues start on Page 7 of the Prehearing Order, and I just want to highlight for the Commissioners Issues 1 through 7 are stipulations, proposed stipulations, noting that FIPUG has taken no position on Issues 1 through 4 and 6 through 7. And PCS Phosphate has taken no position on Issues 1 through 4, 6 through 7. Issue 8, Issues 8 through 10 were dropped. They were excluded at the Prehearing Conference by the Prehearing Officer. However, on Friday afternoon the parties advised staff that in lieu of filing a motion for reconsideration on Issue 8, the parties reached a stipulation on that issue, which is on the handout that has been provided to you all that's titled Additional Stipulations.

With respect to Issues 9 and 10, it is my understanding that there are no objections to the exclusion of these issues.

Issues 12 through 15 were also excluded from the prehearing by the Prehearing Officer. But in lieu of filing a motion for reconsideration, the parties proposed stipulations of this issue, noting that OPC and

PCS have taken no position on this issue.

CHAIRMAN CARTER: Okay.

MS. FLEMING: And with that, Commissioners, it's my understanding that one of the parties would like to address the Commission with respect to the Issue 8 stipulation.

CHAIRMAN CARTER: Mr. Brew, good morning.

MR. BREW: Good morning, Mr. Chairman. Thank you very much. I felt that the stipulation that we reached on Friday requires a bit of an explanation, and I'll need to go backtrack a little bit.

As you know in the rate case, Progress Energy Florida currently has two sets of interruptible and curtailable tariffs, one of which is grandfathered and the other which is currently open. And in the rate case Progress has proposed to cancel and eliminate the grandfathered interruptible rates, and just for simplicity I'm just going to stick to the IST rate rather than to refer to all of them.

The, the result of canceling that rate would be the company proposes to transfer all existing customers on the IST1 rate of which there are 70, most of them large loads, to the surviving IST2 rate, which offers a lower curtailable credit and is further lowered by the load factor of each customer. Now that means

that under the company's proposal the rate that, for example, PCS is served under now would go away. You'd be transferred to a, to a different rate with a different credit. And the company of course has proposed a credit, it's the same credit that's already been there, they're not proposing to change it, but there is a proposed credit of $3.31 and a load factor adjustment.

Now in the rate case FIPUG offered testimony addressing these issues, offered testimony that the grandfathered rates should remain in effect because they were cost-effective, that an update of the credit shows that the credit should be increased substantially and that a load factor adjustment was not appropriate. So that's on the record in the rate case.

The -- Progress submitted rebuttal on this point that consisted of a sentence which said let's address the level of the credit in this docket, the 02 docket.

FIPUG then turned around and refiled its case on those issues in this docket, which is Mr. Pollock's testimony, and the company filed rebuttal to Mr. Pollock on those issues. So in the rate case you had the issue joined, the parties took positions and they briefed it. Staff's position was, as is customary, "No position

pending the evidence adduced in the hearing."

In the, in this docket you had the testimony presented again by FIPUG and with response by Progress, the issue being joined, the parties taking positions, and staff in its prehearing statement said, "No position pending the evidence adduced at the hearing."

So other than -- now from a timing perspective, other than the duplication of having to file the testimony over again, nobody has really been harmed because the, the matter of the credit in this docket would be timely decided with respect to the other issues in the rate case, so there would be no real harm.

At the Prehearing Conference staff for the first time announced that it had a different position that had nothing to do with the evidence to be adduced at the hearing, but was that as a matter of process the level of the interruptible credit should be decided in the DSM goals docket, which won't be decided if there's a PAA and a protest for some time. Now apart from the surprise of coming up with a position at the very last possible moment at the Prehearing Conference, this creates a hole, which is the existing grandfathered customers, if the Commission cancels that rate in the rate case, see a substantially reduced credit that won't be addressed until, if at all, it's addressed in the DSM

goals docket. Now this was discussed in front of, at the Prehearing Conference and we had the ruling to drop that issue.

All of the active parties that have a stake in this recognize that this created a hole that would adversely affect customers that are under enormous economic pressure already. So we've been talking back and forth nearly nonstop for the last week and a half as a result trying to find a way to mitigate this, the hole that's been created by this.

This stipulation doesn't fix the problem, it just minimizes the damage. Now the Commission can fix it in the rate case because you still have all three issues in front of you. But I just wanted to let you know that the stipulation here which is effectively the parties' conceding on an interim basis to Progress's rebuttal position isn't maintaining the status quo while we figure out what the level of credit should be. Also recognize that in Progress's rebuttal it recognized that the credit in its existing rates is stale, needs to be increased substantially, just not as much as FIPUG offered. So what we have is, at least on the record that, or on the testimony that's been submitted, recognition that the credit needs to change.

So what we had hoped to do was to continue all

three issues that relate -- remember, because the issues in the rate case were broken down into three pieces: Should the grandfathered rate be eliminated, what's the level of credit and should it be load factor adjusted? But all three of those issues go to the single issue of what's the level of interruptible credit for an existing IST customer? Because you can't figure out what it is until you resolve all three.

The stipulation which we very reluctantly join in is, mitigates the damage but doesn't achieve the status quo. What we had hoped is that the Commission will recognize the interrelationship of those issues and finally address it in the rate case so that parties aren't adversely affected for the sole reason that staff didn't raise this issue on process until the prehearing conference in this docket.

To the extent that staff had a concern about the process, it really should have been addressed in their prehearing statement in the rate case so that the parties could have addressed it then. And so my concern on this issue is that the parties have done the best they could with the position we found ourselves in, but there was no reason for us to be in that position.

Thank you.

CHAIRMAN CARTER: Commissioner Skop.

COMMISSIONER SKOP: Thank you, Mr. Chair. And I just, in response to Mr. Brew's concern, I'd like to go back to Ms. Fleming and have her briefly expand upon as to why Issues 8, 9, 10 and Issues 12 through 15 were dropped in lieu of their duplicity or because they were duplicative in some regards and that the stipulations that were subsequently arrived at by the parties adequately protect the positions of the parties. At least that's my understanding, but I'd like to hear that from our legal staff.

MS. FLEMING: Certainly, Commissioners.

With respect to these issues, staff recommended that Issues 8 through 10 and 12 through 15 be excluded from this proceeding because these issues are already covered in the respective Progress and FPL rate cases. And those issues will be adequately addressed within the staff's posthearing recommendation in those respective dockets.

With respect to any, with respect to this stipulation that is before us, staff is comfortable with this stipulation because it addresses the concerns that we had as far as taking, pulling some issues out of the rate case and trying to address the stipulation in this proceeding. We had due process concerns about spinning out issues from the rate case when the record is already

closed, and not all parties in the rate case are parties in this proceeding. We believe that this stipulation adequately addresses the parties' concerns in this proceeding and still allows the Commissioners and staff to adequately vet the issues that are currently in the rate case, and we will provide those recommendations to the Commissioners when the recommendations are filed for the Progress and FPL rate cases.

COMMISSIONER SKOP: Thank you.

CHAIRMAN CARTER: Thank you. And Mr. Brew.

MR. BREW: Just very quickly just to be clear, PCS didn't have a problem with moving the level of credits to the DSM goals docket. We had a problem with moving the issues piecemeal. And we understand that the level of credits remains an issue in the rate case, but we have staff on the record in the Prehearing Conference here saying you shouldn't decide what the level of credits is other than to push the issue to the DSM goals docket, which leaves the existing stale credit in place.

So I come back to I understand staff's concerns about the process, but the problem is the dilemma was created by their failure to bring this process issue up when it first appeared, and that's what's placed the parties at a disadvantage.

CHAIRMAN CARTER: Okay. Let me do this then.

Hang on everybody. Just hold on for a second.

The -- this proposed -- does everyone have the one-pager? Do we all have this? Are we all on the same page so we can be talking about the same thing?

MR. BREW: I believe all the parties have it, yes.

CHAIRMAN CARTER: Okay. This, this one-pager with the line through of the language "to maintain the status quo," that's been lined through; is that right?

MR. BREW: Yes.

MR. BURNETT: Yes, sir.

CHAIRMAN CARTER: And this reflects the, a stipulation of all the parties?

MR. BREW: Yes, sir.

CHAIRMAN CARTER: Is that correct?

MR. BURNETT: Yes, sir.

CHAIRMAN CARTER: And so what'll happen now because of what we've been presented was Issue 8 has been dropped, so this will be Issue 8 that's been reinstated. Is that the way it works?

MR. BREW: Yes, sir. Among the things that we had talked about was --

CHAIRMAN CARTER: I'm just trying to get our process. You can deal with the merits in a minute.

MR. BREW: Yes. We were trying to do a

stipulation to avoid the need to drag the witnesses up here and spend more time and expense without ever actually getting to the issues. So this was to try to resolve this in lieu of coming up and arguing a motion for reconsideration and spinning our wheels.

CHAIRMAN CARTER: Okay. I understand. From a -- I just want to make sure that this -- staff, this will be Issue 8 now; is that correct?

MS. FLEMING: That is correct. It'll be reflected similar to Issues 12 through 14 -- or 12 through 15 in the Prehearing Order where we identify that in lieu of filing a motion for reconsideration, the parties have agreed to the stipulation.

CHAIRMAN CARTER: Okay. Commissioner Skop.

COMMISSIONER SKOP: Thank you, Mr. Chairman.

And just to add some clarity to this, again, Issues 8 through 10 as recommended by staff were duplicative to issues that were already incorporated in both respective rate cases, as were Issues 12 through 15. Those issues were dropped, but I granted leave to the parties either freely to have a motion for reconsideration or to try and reach stipulations. Because, again, the issues were covered, it was just having them in multiple places. So I greatly appreciate Mr. Brew's concern. I think that the proposed

stipulation as to Issue 8 addresses their concern to leave things in place as they were until we hash out the, what the credit ultimately will be. Mr. Brew, you're free.

MR. BREW: Well, the reason we struck that language "to maintain the status quo" is because it really doesn't.

COMMISSIONER SKOP: Okay.

MR. BREW: It will put the existing IST customers on a load factor adjusted credit. In order to stay even, just doing the math, you need a load factor of about 65 percent. In this recession, for 2010 a lot of loads that typically would meet that aren't going to. So it doesn't maintain the status quo. It's the best we, we could do with the limitations we were hearing.

COMMISSIONER SKOP: Okay. Very well. And I'm glad that the parties were able to reach that stipulation as we work through these thorny issues. This one seems to be thorny.

MR. BURNETT: Mr. Chair.

CHAIRMAN CARTER: Mr. Burnett.

MR. BURNETT: Thank you, sir. Just one clarification. Mr. Brew, when he was speaking, I think used the parties at certain times. I just wanted to make it clear that Mr. Brew's comments were his own and

perhaps his client's, but not reflective of Progress Energy Florida's position. So anything he said, you know, I'd just like to isolate that out. Thank you.

CHAIRMAN CARTER: Let me do this. Let me -- and, Commissioner Skop -- echo Commissioner Skop's comments that we sincerely appreciate the parties working together to come up with an agreement to move forward. I think in the context of where we found ourselves in the prehearing and also versus going through a rehearing, this does get the parties where they need to be; is that correct?

MR. BREW: It doesn't get the parties where we need -- where we would need to be would be to push all of the --

CHAIRMAN CARTER: That was my term, "need to be," in the context of where we are today.

MR. BREW: But, yes, it's the best we could do under the circumstances. It's not a complete fix, but it's the best we could do.

CHAIRMAN CARTER: Yeah. The perfect is always the enemy of the good. Okay.

Any, any further questions or comments on the stipulation? And, again, Commissioner, just for the record, this Issue 8, which is part of the stipulation, this one-pager will be added to as we go through on

this, as we -- when we make the final motion to adopt the stipulations and all, this will be part of it; is that correct, staff?

MS. FLEMING: Yes, that is correct.

CHAIRMAN CARTER: Okay. Commissioners, any further questions? Staff, anything further?

MS. FLEMING: With that, Commissioners, staff would recommend that the proposed stipulations which are found on Pages 10 through 14 of the Prehearing Order be approved as well as the stipulation for Issue 8.

We would note that FIPUG has taken no position on Issues 1 through 4 and 6 through 7. PCS has taken no position on Issues 1 through 4, 6 through 7 and 12 through 15, and OPC has taken no position on all the issues.

CHAIRMAN CARTER: Thank you. Before I go for a motion, let me ask you this. We took care of the prefiled testimony?

MS. FLEMING: That is correct.

CHAIRMAN CARTER: Did we do the exhibits?

MS. FLEMING: Yes, we have.

CHAIRMAN CARTER: Okay. We're ready for a motion.

COMMISSIONER EDGAR: Mr. Chairman.

CHAIRMAN CARTER: Commissioner Edgar.

COMMISSIONER EDGAR: At this time, per the discussion that we've had here today, I would move stipulated Issues 1 through 7, 11, 12 through 15, and the newer language that has recently been agreed to for Issue 8.

COMMISSIONER SKOP: Second.

CHAIRMAN CARTER: It's been moved and properly seconded. Commissioners, any questions? Any debate? Hearing none, all in favor, let it be known by the sign of aye.

(Simultaneous vote.)

All those opposed, like sign. Show it done.

(Docket concluded.)

STATE OF FLORIDA)
: CERTIFICATE OF REPORTER
COUNTY OF LEON)

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

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

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

DATED THIS 12th day of November, 2009.

Linda Boles

LINDA BOLES, RPR, CRR
FPSC Official Commission Reporter