



October 14, 2009

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VIA HAND DELIVERY

Ms. Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Energy Conservation Cost Recovery; Docket No. 090002-EG

Dear Ms. Cole:

Enclosed for filing in the above referenced docket on behalf of Progress Energy Florida, Inc. ("PEF") are the original and fifteen (15) copies of the following:

- Rebuttal Testimony of John A. Masiello with Exhibit No. ___ (JAM-1R); and
- Rebuttal Testimony of Nancy Holdstein with Exhibit No. ___ (NLH-1).

Thank you for your assistance in this matter. If you should have any questions, please feel free to contact me at (727) 820-5184.

Sincerely,

John T. Burnett
John T. Burnett

COM	5	JTB/lms
ECR	1	Enclosures
GCL	1	cc: Certificate of Service
OPC	1	
RCP	1	
SSC	1	
SGA	1	
ADM	1	
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via Electronic Mail this 14th day of October, 2009 to all parties of record as indicated below.


JOHN T. BURNETT

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PROGRESS ENERGY FLORIDA

DOCKET NO. 090002-EG

**REBUTTAL TESTIMONY OF
JOHN A. MASIELLO**

October 14, 2009

1 **I. INTRODUCTION AND QUALIFICATIONS**

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

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

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

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

9
10 **II. PURPOSE AND OVERVIEW OF REBUTTAL TESTIMONY**

11 **Q. What is the purpose of your rebuttal testimony?**

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

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1 **Q. Please describe how your testimony is organized.**

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

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

9
10 Additionally, please refer to the rebuttal testimony of Nancy Holdstein in Docket No.
11 090002-EG on behalf of PEF, regarding the following topics:

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

17
18 **Q. Are you sponsoring any exhibits with your rebuttal testimony?**

19 A. Yes, I am sponsoring the following exhibit:

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

21
22 **III. REBUTTAL TESTIMONY**

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

3 A. In 2009, 76 Interruptible and Curtailable customers are estimated to receive over
4 \$18M in incentives. Based on this appropriate level of participation, the incentives
5 currently paid in this tariff option serve as motivation for companies to enlist in this
6 program. The incentive paid for this participation are of sufficient value to gain
7 participants and maintain the most cost-effective approach to meeting generation
8 needs, while avoiding free ridership.

9
10 **Q. Do you agree with Mr. Pollock's proposal to increase PEF's**
11 **Interruptible/Curtailable Demand Credit to \$10.49 per kW?**

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

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

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

20
21 **Q. How does the Company propose in this proceeding to change the Interruptible**
22 **and Curtailable credits?**

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

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

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

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

9
10 **Q. Do you agree with Mr. Pollock's proposal to provide Interruptible/Curtailable**
11 **customers with the option to lock in credits for at least three years?**

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

15
16 **IV. SUMMARY AND CONCLUSION**

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

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

23

1 Q. Does this conclude your testimony?

2 A. Yes.

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**Progress Energy Florida
 Interruptible & Curtailable Events 2000-2009**

Load Management Control Log for 2000

Event Days	Description	Start	Stop	Duration
7/7/2000	Phase 1	15:31	16:58	1:27
	Phase 2	15:58	16:44	0:46
7/19/2000	Phase 1	13:33	15:43	2:10
	Phase 2	13:57	15:28	1:31
7/20/2000	Phase 1	13:21	16:45	3:24
	Phase 2	14:00	16:39	2:39
	Phase 3	13:49	16:35	2:46
	IS/CS Trip A	15:09	15:48	0:39
	IS/CS Trip B	13:58	16:16	2:20
	IS/CS Trip C	14:46	16:08	1:22
8/7/2000	Phase 1- CAB	14:37	16:00	1:23
12/20/2000	Phase 1- CAB	21:12	22:14	1:02
12/21/2000	Phase 1- CAB	6:41	8:14	1:33
12/31/2000	Phase 1- CAB	8:00	8:29	0:29

Load Management Control Log for 2001

Event Days	Description	Start	Stop	Duration
1/1/2001	Phase 1- CAB	7:13	8:52	1:39
1/3/2001	Phase 1- CAB	8:55	8:37	1:42
	Phase Alert 3	7:05	8:26	1:21
	IS/CS Trip C	7:05	8:26	1:21
1/5/2001	Phase 1- ABC	5:30	9:22	3:52
	IS/CS Trip A	5:55	9:17	3:22
	Phase Alert 3	5:56	9:17	3:21
	IS/CS Trip B	6:01	9:11	3:10
	IS/CS Trip C	6:04	8:59	2:55
	Phase Alert 2	6:23	7:02	0:39
10/24/2001	Phase 1- BCA	14:33	16:24	1:51
	Phase 2	15:06	16:12	1:06
	Phase 3	15:06	16:12	1:06
	IS/CS Trip B	15:09	16:12	1:03
	IS/CS Trip C	15:24	15:51	0:27

Load Management Control Log for 2002

Event Days	Description	Start	Stop	Duration
0				0

Load Management Control Log for 2003

Event Days	Description	Start	Stop	Duration
0				0

Load Management Control Log for 2004

Event Days	Description	Start	Stop	Duration
8/13/2004	Phase Alert 1	12:27	14:30	2:03

Load Management Control Log for 2005

Event Days	Description	Start	Stop	Duration
0				0

Load Management Control Log for 2006

Event Days	Description	Start	Stop	Duration
8/2/2006	Phase Alert 1- CAB	15:38	18:31	2:53
	Phase Alert 2- CAB	15:38	18:31	2:53
	Phase Alert 3- CAB	15:56	18:01	2:05
	IS/CS Trip - CAB Suncoast Only	15:53	18:01	2:08

Load Management Control Log for 2007

Event Days	Description	Start	Stop	Duration
8/20/2007	Phase Alert 1- CAB	17:31	18:53	1:22
	Phase Alert 2- CAB	17:41	18:53	1:12
	Phase Alert 3- CAB	17:42	18:53	1:11
	IS/CS Trip Group A	17:42	18:43	1:01

Load Management Control Log for 2008

Event Days	Description	Start	Stop	Duration
0				

Load Management Control Log for 2009

Event Days	Description	Start	Stop	Duration
0				

PROGRESS ENERGY FLORIDA
DOCKET NO. 090002-EG
REBUTTAL TESTIMONY OF
NANCY L. HOLDSTEIN

October 14, 2009

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. State your name and business address.**

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

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

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

9
10 **Q. What are your duties and responsibilities?**

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

14
15 **II. PURPOSE AND SUMMARY OF REBUTTAL TESTIMONY**

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

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

19

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1 **Q. Do you have any Exhibits to your testimony?**

2 A. Yes, I am sponsoring the Exhibit No. ____ (NLH-1) – Summary of Current and
3 Proposed IS/CS credits.
4

5 **Q. Please summarize your rebuttal testimony.**

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

- 8 1. The assertion that the Company proposed a 44% decrease in interruptible credits
9 in its pending base rate proceeding;
- 10 2. The appropriateness of using load factor rather than coincidence factor to
11 determine billing demand credits; and
- 12 3. The collection of the ECCR costs on a demand basis rather than an energy basis.
13

14 **III. REBUTTAL TESTIMONY**

15
16 **Q. Did the Company propose a 44% decrease in the interruptible credits in its
17 pending base rate proceeding (Docket No. 090079-EI) as Mr. Pollock asserts?**

18 A. No. In the rate case rebuttal testimony of witness Slusser, the Company indicated
19 that the level of credits was not an issue for the base rate proceeding, but should be
20 reviewed in the conservation docket. In fact, the overall amount of credits projected
21 in the Company's ECCR projection filing was indeed comparable to the prior year's
22 credits. Thus, Mr. Pollock's assertion in this regard is incorrect.
23

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

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

8
9 **Q. How does the Company propose in this proceeding to change the interruptible
10 and curtailable credits?**

11 A. The Company proposes to set the credits for the open tariffs at a level that equates
12 the total projected annual credit amounts approximately equal to the current credit
13 amounts of \$20 million. The Company's analysis shows that this amount should be
14 \$5.65 per coincident kW for IS customers and \$4.24 per coincident kW for CS
15 customers (75% of the IS credit value). These credits, when applied to the
16 combined class's load factor adjusted billing demand, will yield total annual credit
17 amounts approximately equal to the current credit amounts for the combined class.
18 Unlike Mr. Pollock's proposal, this proposal is equitable to both the combined rate
19 class (interruptible and curtailable) and to PEF's other rate classes.

20
21 **Q. Do you agree with Mr. Pollock's argument that the credits should be adjusted
22 by the coincidence factor rather than the load factor?**

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

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

4
5 The relevant issue is not whether the credit should be adjusted by the load factor or
6 the coincidence factor, but whether the adjustment to convert the coincident credit
7 per kW to a billing credit should be made at the class level (as is the method used in
8 the Company's closed tariffs) or whether the adjustment should be made at the
9 individual customer level (as is the method used in the Company's open tariffs). I
10 discuss directly below why an adjustment at the customer level is the appropriate
11 method.

12
13 **Q. Why do you believe that the adjustment to convert the coincident credit per**
14 **kW to a billing credit is more appropriately done at the customer level?**

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

1 “The revised petition also modifies the manner in which the
2 credit is applied to the customer's load. In the initial filing, the
3 credit was applied to the customer's monthly maximum
4 demand subject to interruption or curtailment. [*3] Under
5 the revised petition, the credit is applied to the customer's
6 maximum monthly demand multiplied by their billing load
7 factor. Under this revised method, customers with higher than
8 average load factors receive a larger total credit than
9 customers with lower load factors. Customers with average
10 load factors of approximately 63% will receive the average IS
11 and CS credits of \$ 1.79 and \$ 0.94 per KW. This method of
12 billing customers results in the same total amount of credits
13 paid to non-firm customers as if all customers received the
14 same flat credit.

15 This adjustment of the amount of the credit is justified
16 because load research data indicates that there is a positive
17 relationship between the customer's billing load factor and his
18 coincidence factor. Coincidence factor is a measure of the
19 relationship between a customer's maximum billing demand
20 and his demand at the time of the system peak. Customers
21 with high coincidence factors are more likely to be on the
22 system at the time of peak demand and thus are more likely to
23 provide significant load reductions to the system when
24 interruptions are required.

25 While the coincidence factor cannot be measured directly,
26 billing load factor, which measures the relationship between
27 the customer's maximum monthly billing demand and his
28 kilowatt hour consumption, has been shown to track
29 coincidence factor. Billing load factor is readily available
30 from billing records and is a suitable proxy for coincidence in
31 adjusting the credits.”

32
33 **Q. How will the Company's proposal affect individual customers?**

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

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

3
4 **Q. Mr. Pollock suggests that the ECCR charge should be collected on a demand**
5 **(kW) basis rather than an energy (kWh) basis. Do you agree with this?**

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

24
25 **IV. CONCLUSION**

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

2 A. Yes.

