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July 30, 2009

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VIA HAND DELIVERY

Ms. Ann Cole, Director
Commission Clerk and Administrative Services
Room 110, Easley Building
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 080411-EI

Dear Ms. Cole:

Enclosed for filing on behalf of Florida Public Utilities Company in this docket are an original and fifteen copies of the Rebuttal Testimony of Joseph R. Eysie and the Rebuttal Testimony of Bradley E. Kushner in the above referenced docket.

Please indicate receipt of this document by stamping the enclosed extra copy of this letter and returning same to me.

Thank you for your assistance.

Sincerely,

Norman H. Horton, Jr.

NHH/amb
Enclosure
cc: Mr. Joseph R. Eysie
Parties of Record

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been served on the following parties by Electronic Mail (*) and/or U.S. Mail this 30th day of July, 2009.

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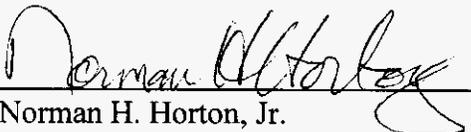
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Norman H. Horton, Jr.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

REBUTTAL TESTIMONY OF JOSEPH R. EYSIE

ON BEHALF OF

FLORIDA PUBLIC UTILITIES COMPANY

DOCKET NO. 080411

JULY 30, 2009

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

2 A. My name is Joseph R. Eysie. My business address is 401 S. Dixie Highway,
3 West Palm Beach, Florida 33401.

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

5 A. I am employed by Florida Public Utilities Company (FPUC) as Energy
6 Conservation Manager

7 **Q. Have you previously provided testimony in this proceeding?**

8 A. Yes. I provided direct testimony on behalf of FPUC on June 4, 2009.

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

10 A. The purpose of my testimony is to rebut certain statements made in the direct
11 testimony of NRDC, SACE and GDS Associates. More specifically, my
12 testimony will focus on the appropriate tests for evaluating the cost-effectiveness
13 DSM measures; recommended DSM goals included in the testimony of witness
14 Spellman and witness Steinhurst; allegations related to the scope of Itron's
15 Technical Potential Study; selection of the two-year pay-back period;

1 consideration of incentives and administrative costs; and consideration of
2 potential greenhouse gas (GHG) costs.

3 **Q. Do you agree with witnesses Wilson and Spellman in their interpretation of**
4 **the cost-effectiveness tests required or authorized under Section 366.82, F.S.?**

5 A. No. Section 366.82, F.S., requires the PSC to consider the costs and benefits to
6 the participating ratepayers as well as the general body of ratepayers as a whole.
7 However, Section 366.82 does not dictate which cost-effectiveness test must be
8 used to establish DSM goals. The Commission should use both the RIM and
9 Participants test to set goals. When used in conjunction with each other, these
10 tests fulfill the Commission's obligation to consider the costs and benefits to the
11 general body of ratepayers as a whole, including utility incentives and participant
12 contributions.

13 **Q. Does the RIM test screen out demand-side alternatives that would increase**
14 **rates more than supply-side alternatives?**

15 A. Yes. The RIM test evaluates whether DSM measures would increase rates more
16 than supply-side alternative. The RIM test is therefore the appropriate test to use
17 as the basis for establishing DSM goals because such a screening process keeps
18 customers' rates as low as possible.

19 **Q. Witness Spellman recommends that the Commission mandate that FEECA**
20 **utilities have DSM goals consistent with those developed as discussed in**
21 **GDS' testimony. Do you agree with this suggestion?**

22 A. No. As I have stated previously throughout my direct testimony, the RIM and
23 Participant tests are the proper tests to use for evaluating the cost-effectiveness of

1 DSM measures and should be used as the basis for establishing DSM goals.
2 Upon review of witness Spellman's testimony, I do not find a solid basis for the
3 goals he has recommended for FPUC, which appear to be arbitrary. The
4 recommended goals in witness Spellman's testimony are based upon full
5 achievable potential as GDS quantifies it. However, such an approach does not
6 account for the impact to our customers' rates that will result from mandating
7 DSM measures that do not pass the RIM test.

8 Itron, on behalf of FPUC, developed annual projections of total annual
9 MW and GWh savings based on DSM measures that passed both the TRC and
10 Participants tests, along with associated costs. The table presented below shows
11 projected annual bill impacts to a residential customer consuming 1,200 kWh per
12 month based on adopting GDS' recommended cumulative energy goals (including
13 the transition period) as presented in Exhibit RFS-21 (page 7 of 7) of the
14 testimony of witness Spellman. The impacts shown in the table below were
15 calculated by determining the annual ratios of the recommended savings per
16 witness Spellman's testimony to those projected by Itron for measures passing
17 both the TRC and Participants tests, and applying these ratios to the estimated bill
18 impacts associated with the annual energy savings and associated cost projections
19 developed by Itron. As shown in the table below, annual bill increases to our
20 residential customers increase from approximately \$72 per year in 2010 to
21 approximately \$1,217 per year in 2019.

1

Projected Customer Bill (Nominal \$/Year) for 1,200 kWh Residential - Without Customer Charge										
Scenario	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
FPUC Proposed Goals	\$1,815	\$1,851	\$1,888	\$1,926	\$1,964	\$2,004	\$2,044	\$2,085	\$2,126	\$2,169
GDS Recommended Goals	\$1,887	\$2,014	\$2,144	\$2,283	\$2,423	\$2,582	\$2,757	\$2,949	\$3,158	\$3,386
Increase Due to GDS Recommended Goals	\$72	\$163	\$256	\$357	\$459	\$578	\$713	\$864	\$1,032	\$1,217

2

3 **Q. Witness Spellman testifies that use of the TRC test rather than the RIM and**
4 **Participant tests will not likely have significant long-term impacts on FEECA**
5 **utility customers' rates. Do you agree with this conclusion?**

6 A. No. Witness Spellman's conclusions do not differentiate between DSM measures
7 that pass RIM and those that fail RIM, nor are they supported by any sort of
8 comprehensive analysis. As I have testified previously, the RIM test should be
9 used to evaluate the cost-effectiveness of a DSM measure.

10 The Itron analysis referred to in my previous response indicates that
11 customer rates are estimated to increase by approximately 18.4 percent by 2019
12 based on the DSM measures that fail RIM but pass the TRC and Participants test
13 in Itron's analyses. Such increases amount to annual customer bill increases of
14 approximately \$170 per year by 2014 and by \$401 dollars per year by 2019 for
15 the residential customer based on 1,200 kWh monthly consumption.

16 The significance of the magnitude of such bill increases is dependant upon
17 the customer, and although witness Spellman may view this as an insignificant
18 increase, FPUC's customers who are currently struggling to pay their utility bills

1 would likely argue against witness Spellman's conclusions that bill increases of
2 this magnitude are in fact not significant.

3 **Q. While not making any specific recommendations for FPUC, witness**
4 **Steinhurst suggests that FPUC adopt a 1 percent per year energy savings**
5 **target. How do such energy reductions compare to recent trends in FPUC's**
6 **loads?**

7 A. For the 12-month period ending June 2009 compared to the 12 month period
8 ending June 2008, FPUC's energy sales are down approximately 9.8 percent. The
9 magnitude of the energy sales decline in energy sales already represents nearly 10
10 years of the energy reductions proposed by witness Steinhurst, and the decline in
11 energy sales has already contributed to FPUC's recent rate increases.

12 When compared to the 12 month period ending June 2007, FPUC's energy
13 sales for the 12 months ending June 2009 are down approximately 14.3 percent.
14 Therefore, potential energy savings projected using 2007 as the baseline, as was
15 done in this Docket, are overstated.

16 **Q. Taking into consideration the recent rate increases experienced by FPUC's**
17 **ratepayers, do you think it is important to focus on customer rates when**
18 **evaluating the cost-effectiveness of possible new DSM measures?**

19 A. Yes. Determining cost-effectiveness of new DSM measures using the impact to
20 customers' rates as the primary determinant is extremely important. As discussed
21 previously, FPUC's customers have recently been exposed to what I view as
22 significant rate increases. We should not implement new DSM measures that
23 have been shown to increase rates even further.

1 **Q. Do you agree with witness Spellman's conclusions that the Technical**
2 **Potential Studies performed by the FEECA utilities exclude important**
3 **energy efficiency measures?**

4 A. No. The scope of Itron's Technical Potential Study for FPUC considered 267
5 unique measures identified by the FEECA utilities as available in the utility
6 industry and the assessment techniques were fully vetted through the
7 Collaborative process. This process included input from all of the FEECA-
8 regulated utilities and other interested parties including SACE and NRDC.

9 **Q. How would you respond to the allegations made by witnesses Spellman and**
10 **Wilson that the scope of the Technical Potential Study was insufficient and**
11 **did not adequately assess the full technical potential of demand-side and**
12 **supply-side conservation and energy efficiency systems, including demand-**
13 **side renewable energy systems?**

14 A. I disagree with such allegations. The technical potential study performed by
15 Itron, as described in the testimony of Mike Rufo, considered 267 unique
16 measures known to the FEECA utilities and provided an adequate assessment of
17 the full technical potential of available demand-side and supply-side conservation
18 and efficiency measures, including demand-side renewable energy systems. The
19 scope of the study, the measures to be analyzed, and the assessment techniques
20 were fully vetted through the Collaborative process which included input from all
21 of the FEECA-regulated utilities and other interested parties including SACE and
22 NRDC. I think it is worth noting that, while raising these allegations, witness
23 Wilson simultaneously praises the study, stating "Overall, the technical potential

1 study was conducted in a professional and thorough manner. The collaboration
2 between utilities and our organizations was generally productive and
3 communications were effective for the most part.” (Wilson testimony, Page 26,
4 Lines 7-9).

5 As members of the Collaborative, SACE and NRDC agreed to the scope
6 of the Technical Potential Study and agreed that there was insufficient data to
7 analyze four sectors. SACE and NRDC did not protest any sort of “omission” of
8 the four measures, as they argue in the testimony of witness Wilson (Page 26,
9 Line 12).

10 **Q. Witness Spellman’s testimony indicates that the 2-year minimum payback**
11 **criterion should not be used for all customer segments, specifically**
12 **residential and small commercial. Is this consistent with the DSM goals**
13 **setting process in Florida?**

14 A. No. Use of different payback criterion for different customer classes is not
15 consistent with the requirements of the DSM goals setting process. The DSM
16 goal setting process does not and should not differentiate between customer
17 segments while requiring that free-ridership be recognized.

18 **Q. Why was a 2-year payback period selected for the purposes of screening out**
19 **DSM measures from further consideration?**

20 A. The 2-year payback period provides for a reasonable method for minimizing free
21 ridership when evaluating the cost-effectiveness of DSM measures. The types of
22 measures that were screened out using the 2-year payback criterion are the focus
23 of existing educational programs and other efforts. In particular, FPUC’s

1 customer education efforts consist of conservation initiatives and campaigns
2 centered on customer behavior modification. As a result, great emphasis is placed
3 on educating customers to implement, without direct monetary incentive from
4 FPUC, measures that have less than a two year payback period. This
5 implementation is part of a structured plan by FPUC to first get customers to
6 implement no cost and low cost conservation measures (i.e. measures with less
7 than a two year payback period) later followed by measures that require more
8 significant capital investment.

9 **Q. Were incentives properly considered by Itron in their cost-effectiveness**
10 **evaluations for FPUC?**

11 A. Yes. Itron properly considered incentives provided from the utility to the
12 participating customer in the RIM and Participants tests.

13 **Q. Did Itron's cost-effectiveness evaluations for FPUC reflect the inclusion of**
14 **administrative costs at the DSM measure level, as alleged in the testimony of**
15 **witness Mosenthal?**

16 A. No. Itron did not consider the inclusion of administrative costs at the DSM
17 measure level.

18 **Q. Witness Steinhurst alleges that the cost-effectiveness analyses did not**
19 **appropriately account for costs associated with regulation of greenhouse**
20 **gases (i.e. CO₂) emissions? How were such costs considered in FPUC's**
21 **analyses?**

22 A. Greenhouse gases are not currently regulated at either the State or Federal level,
23 and there currently are no costs imposed on the emissions of greenhouse gases.

1 While there is much speculation on the potential for greenhouse gas emissions
2 regulation, FPUC does not believe it is appropriate to establish DSM goals that
3 would increase customer rates based on speculation related to yet-to-be defined
4 potential regulations of emissions of greenhouse gases. However, for
5 informational purposes, Itron performed additional analyses related to several
6 different combinations of fuel and carbon dioxide (CO₂) emissions allowance
7 prices. The projected CO₂ emissions allowance prices considered in FPUC's
8 analyses are discussed further in the rebuttal testimony of witness Kushner.

9 **Q. On Page 8, Lines 5-7 of his testimony, witness Cavanagh states "It makes far
10 more sense from a policy perspective to focus not on *rates* but on total utility
11 *bills*. After all, are customers really worse off if, for a constant level of
12 service, their rates go up but their bills go down?" Is witness Cavanagh's
13 assertion regarding the relationship between rates and bills correct?**

14 **A.** No. If rates increase, as they would by implementing measures that do not pass
15 the RIM test, and a nonparticipating customer's usage does not decrease (i.e., the
16 customer maintains a constant level of service), the customer's bill will increase.
17 An increase in rates correlates to an increase in bills in such a scenario. Total
18 bills will only go down if there is sufficient reduction in consumption to offset the
19 increase in rates. In this regard, customers who are unable to implement DSM
20 measures that do not pass the RIM test due to their housing situation, income
21 level, or combinations thereof, would therefore have no corresponding benefit of
22 reduced consumption and would experience an increase to their utility bills.

1 Q. Does this conclude your testimony?

2 A. Yes.