



Writer's E-Mail Address: bkeating@gunster.com

August 5, 2014

BY HAND DELIVERY

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

REDACTED

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COMMISSION
CLERK

Re: Docket No. 140025-EI -Application for rate increase by Florida Public Utilities Company.

Dear Ms. Stauffer:

Enclosed for filing, please find the original and seven (7) copies the Request for Confidential Classification and Motion for Protective Order submitted on behalf of Florida Public Utilities Company/Electric Division (FPU) in the above-referenced docket. Also enclosed, in accordance with Rule 25-22.006(4), Florida Administrative Code, are one highlighted and two redacted copies of the confidential portions of the following rebuttal testimony and exhibits:

- Jeffry M. Householder Rebuttal Testimony
- Exhibit CMM-10 to the Testimony of Cheryl M. Martin
- Matthew Kim Rebuttal Testimony and Exhibit MK-2.

Please do not hesitate to contact me if you have any questions whatsoever regarding this filing.

Sincerely,

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

- COM _____
- AFD 2
- APA 1
- ECO 2 + 2 *Redacted Rebuttal Testimony*
- ENG 1
- GCL 1
- IDM _____
- TEL _____
- CLK _____

Cc:/Service List (Docket 140025-EI)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: **Application for rate increase by Florida Public Utilities Company.**

DOCKET NO. 140025-EI

DATED: August 5, 2014

REQUEST FOR CONFIDENTIAL CLASSIFICATION AND MOTION FOR A PROTECTIVE ORDER

Florida Public Utilities Company (“FPU” or “Company”), by and through its undersigned counsel, pursuant to Section 366.093, Florida Statutes, and consistent with Rule 25-22.006(4), Florida Administrative Code, hereby submits its Request for Confidential Classification, as well as a Motion for Protective Order to protect the same information to be provided to the Office of Public Counsel, in accordance with Rule 25-22.006(6)(b). In support of this Request, FPU states that:

1. On April 28, 2014, FPU filed its Petition for Approval of a Rate Increase and Request for Interim Increase, along with the requisite MFRs. The Company also filed the direct testimony and exhibits of its witnesses in this proceeding.
2. On August 5, 2014, in accordance with the Order Establishing Procedure for this case, Order No. 14-0194-PCO-EI, FPU filed the Rebuttal Testimony and Exhibits of several witnesses testifying on behalf of the Company.
3. Certain discussions contained within the testimonies of witness Jeff Householder and witness Matthew Kim, as well as Exhibits to the Testimonies of witnesses Kim and Cheryl Martin, contain detailed information that the Company deems highly confidential and which has not otherwise been disclosed publicly.
4. The information at issue is, as noted, considered proprietary confidential business information and has not otherwise been disclosed publicly. It involves information

regarding a pending project, which has not yet been finalized, including information regarding project size and projected savings, which could be used to derive the proposed pricing structure under discussion. Disclosure of this information could not only harm FPU's ability to effectively negotiate reasonable terms for the project at hand, but could impair its ability to negotiate for good and services with others as well. The information also includes specific employee information and related competitive information, the disclosure of which could be directly harmful to particular employees and/or information which could enable the Company's competitors an unfair advantage in the market for qualified employees.

4. The information for which FPU seeks confidential classification is information that the Company treats as confidential, and that meets the definition of "proprietary confidential business information" as set forth in Section 366.093(3), Florida Statutes, which provides:

(3) Proprietary confidential business information means information, regardless of form or characteristics, which is owned or controlled by the person or company, is intended to be and is treated by the person or company as private in that the disclosure of the information would cause harm to the ratepayers or the person's or company's business operations, and has not been disclosed unless disclosed pursuant to a statutory provision, an order of a court or administrative body, or private agreement that provides that the information will not be released to the public. Proprietary confidential business information includes, but is not limited to:

- (a) Trade secrets.
- (b) Internal auditing controls and reports of internal auditors.
- (c) Security measures, systems, or procedures.
- (d) Information concerning bids or other contractual data, the disclosure of which would impair the efforts of the public utility or its affiliates to contract for goods or services on favorable terms.
- (e) Information relating to competitive interests, the disclosure of which would impair the competitive business of the provider of the information.

(f) Employee personnel information unrelated to compensation, duties, qualifications, or responsibilities.

3. Specifically, FPUC seeks confidential classification and a Protective Order for the highlighted information in the following (lines/pages) in the referenced testimony:

Testimony/Exhibit	Page/Lines – Document	Rationale
<p>Matthew Kim Testimony And Exhibit MK-2 (Pages 1 – 22)</p>	<p>Page 11, lines 7 – 18, Page 12, lines 1 - 21 Page 13, lines 1 – 4 Page 32, lines 12 – 14 Page 33, lines 13 – 15 Page 34, lines 11 – 13 Exhibit MK-2 – Executive Compensation Review – December 2, 2013; all lines and columns on all pages from page 2 through page 22.</p>	<p>Information which, if disclosed, would reveal employee-specific information that could impair the Company’s ability to retain highly qualified employees, thus impairing the Company’s operations and ability to provide high quality service to its ratepayers. (Section 366.093(b) and (e))</p>
<p>Jeffrey Householder Testimony</p>	<p>Page 15, highlighted information in lines 7 and 8</p>	<p>Provides detailed information regarding a proposed agreement/project. The Company and other parties treat this information as confidential and disclosure could breach confidentiality</p>

Testimony/Exhibit	Page/Lines – Document	Rationale
		provisions regarding the proposed project and place the project itself at risk. (Section 366.093(d) and (e))
Cheryl M. Martin Exhibit CMM-10	CMM-10 Page 1 of 1 Severance Analysis; all lines and all columns on the referenced exhibit.	Information which, if disclosed, would reveal employee-specific information that could impair the Company’s ability to retain highly qualified employees, thus impairing the Company’s operations and ability to provide high quality service to its ratepayers. (Section 366.093(b) and (e))

5. The information set forth in these identified sections is either proprietary contractual information or competitively sensitive information that falls squarely under Section 366.093(3)(b), (d) and (e), Florida Statutes. Release of the referenced information as a public record would harm FPU’s business operations and ratepayers by impairing the Company’s ability to effectively negotiate for goods and services, as well as impair the ability to bring a specific project to fruition. It would also impair the

Company's ability to compete in the market for qualified employees and impair its ability to retain such qualified employees, which would impair FPU's ability to provide high quality service. Release of any of this information would ultimately impair the Company's ability to provide services and its ratepayers. As such, FPU requests that the Commission deem afford this information confidential treatment and exempt from Section 119.07, Florida Statutes. Included with this Request are highlighted copies of the referenced Testimony and Exhibit pages. Also enclosed are two redacted copies of the same information.

6. FPU further requests that the Commission issue a protective order, in accordance with Rule 25-22.006(6), Florida Administrative Code, to protect this information when provided to the Office of Public Counsel, which is a party to this proceeding.
7. FPU asks that confidential classification be granted for a period of at least 18 months. Should the Commission or the Office of Public Counsel no longer find that it needs to retain the information, FPU respectfully requests that the confidential information be returned to the Company.
- 8.

WHEREFORE, FPUC respectfully requests that:

- 1) the highlighted information contained in the testimony of FPU witnesses Kim, and Householder, and in Exhibit MK-2 and CMM-10, be classified as "proprietary confidential business information," and thus, exempt from Section 119.07, Florida Statutes; and

- 2) that a protective order be issued protecting this information from public disclosure while in the possession of the Office of Public Counsel.

RESPECTFULLY SUBMITTED this 5th day of August, 2014.



Beth Keating
Bar NO. 0022756
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 618
Tallahassee, FL 32301
(850) 521-1706

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing filing has been served by Hand Delivery this 5th day of August, 2014, upon the following:

Suzanne Brownless, Esquire
Martha Barrera, Esquire
Office of the General Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Patricia A. Christensen, Esquire
Office of the Public Counsel
c/o The Florida Legislature
111 West Madison St., Rm 812
Tallahassee, FL 32399-1400

By: 
Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
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(850) 521-1706

Rebuttal Testimony of Matthew Kim

1 prudent and reasonable cost. Witness Moss will provide additional discussions
2 regarding the appropriateness of including this expense in the projected test year in his
3 rebuttal testimony.

4 **Q. Given witness Ramas' statement at page 25 that no information on the corporate**
5 **bonus plan was provided, would you please describe the plan?**

6 A. Corporate, non-officer-employees are subject to an incentive performance plan ("IPP"),
7 similar to each of Chesapeake's businesses including FPU. [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

Rebuttal Testimony of Matthew Kim

1

[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

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Rebuttal Testimony of Matthew Kim

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[REDACTED]

As noted, and also as further emphasized later in my testimony, the corporate departments contribute to the overall financial performance of each of Chesapeake's businesses by providing efficient and cost-effective services that are critical to the day-to-day functions of the business units, including the FPU electric division. The corporate departments help our business units identify, assess and analyze various opportunities to generate growth, manage projects, expand service offerings, improve customer communications, and identify strategic opportunities. As I discussed above, growing revenue and managing costs, while also accessing capital markets to obtain capital at attractive rates and terms, are essential components of achieving higher EPS, which benefits both ratepayers and shareholders. To be clear here, Corporate EPS is an accumulation of earnings of each of Chesapeake's businesses, including the FPU electric division.

Finally, on this issue, I want to emphasize that the costs of each department, including bonus expense, are allocated to all Chesapeake businesses that receive benefits from that department's service. Allocation factors are designed to closely mirror the level of service of each department to each business. Thus, the FPU

Rebuttal Testimony of Matthew Kim

1 areas of Human Resources, Communications, Strategic and New Energy
2 Developments and Governmental Relations. This executive directly supervises
3 corporate departments related to these areas and also coordinates with all of
4 Chesapeake's business units regarding efforts related to these departments.
5 Throughout my rebuttal testimony, I have discussed services provided by the
6 corporate departments in these areas to the Company and associated benefits to the
7 Company's ratepayers. This executive works with each business unit, including
8 FPU's electric division, to develop a long-term strategic plan by identifying business
9 opportunities within their existing service footprint, as well as addressing market
10 risks and threats by proactively engaging necessary resources to formulate a plan and
11 engages these departments, as appropriate, to advance the strategic plan's objectives.
12 One of the specific examples involving FPU's electric division is [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 This is a project that was developed during the annual strategic planning process,
16 which is headed by this executive. The Strategic Development team, under the
17 supervision of this executive, has been working with the System Planning group at
18 the business unit to analyze various market, financial and operational data. This
19 executive also brings significant experience with regulated utilities and customer
20 service, having previously served as the head of a FERC-regulated utility and
21 director of customer service at the same utility.

Rebuttal Testimony of Matthew Kim

1 Other than asserting, at page 65, line 20, that the costs associated with HR included
2 in this department for the projected test year would be “incremental to the HR costs
3 already charged to FPUC electric operations from a separate CUC HR Department,”
4 witness Ramas provides no other explanation for her claim at lines 21 - 24 that “[t]he
5 Company has not demonstrated that the existing FPUC electric ratepayers benefit
6 from this department, or that the department is focused on the existing regulated
7 electric operations.” Given the specific examples of the SVP’s involvement in the
8 FPU electric operation and her general responsibilities overseeing various corporate
9 departments providing necessary services to the FPU electric operation, I disagree
10 with witness Ramas’ statement.

11 The SVP of Strategic Development department costs allocated to FPU electric in the
12 historic year were \$111,691. During the 12 months ended June 2014, the amount
13 decreased to \$71,362 due to [REDACTED]

14 [REDACTED]
15 [REDACTED] The amount included in the Company’s projected test year is
16 \$153,873. As witness Ramas stated in her testimony, one of the factors contributing
17 to the increase from the historic year to projected test year is the additional cost
18 associated with the Vice-President of HR, which is budgeted in this department,
19 rather than in the HR department. The Vice-President of HR was hired during the
20 first quarter of 2014. Another reason for the additional projected cost is the
21 anticipated hiring of a director of governmental relations, for which efforts are

Rebuttal Testimony of Matthew Kim

1 under-way to recruit this position. The new hire in this position will coordinate
2 various governmental policy and relationship matters.

3

4 Strategic Development Department

5 As for witness Ramas' concerns raised, starting at page 66, regarding the Strategic
6 Development department itself, this department is relatively new, having been
7 created in 2012. The purpose of this department is to facilitate Chesapeake's annual
8 strategic planning process, coordinate with the business units regarding strategic
9 business development opportunities, and assist business units in various energy-
10 related market research, analysis and system planning. Specific examples of the
11 services provided by this department to the FPU electric division include [REDACTED]

12

13 [REDACTED] as previously described, assistance with the GIS/mapping
14 system, and providing project management coordination. The Strategic
15 Development department works closely with FPU's System Planning group to
16 supplement its knowledge and capabilities by providing these resources and skill
17 sets. This avoids FPU having to develop its own division-specific resources to
18 handle non-routine, strategic initiatives. These initiatives and tasks are designed to
19 manage the costs of the Company's services charged to ratepayers through: (1)
20 developing a plan to lower fuel costs; (2) combining efforts in utility system

Redacted

Exhibit MK-2
Page 1 of 22



Executive Compensation Program Review

Presentation to the Compensation Committee

December 2, 2013

FREDERIC W. COOK & CO., INC.

Charley King

Principal

cyking@fwcook.com

404.439.1007

[Redacted]

[Redacted]	[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]	[Redacted]

[Redacted]

[Redacted]

Executive Summary

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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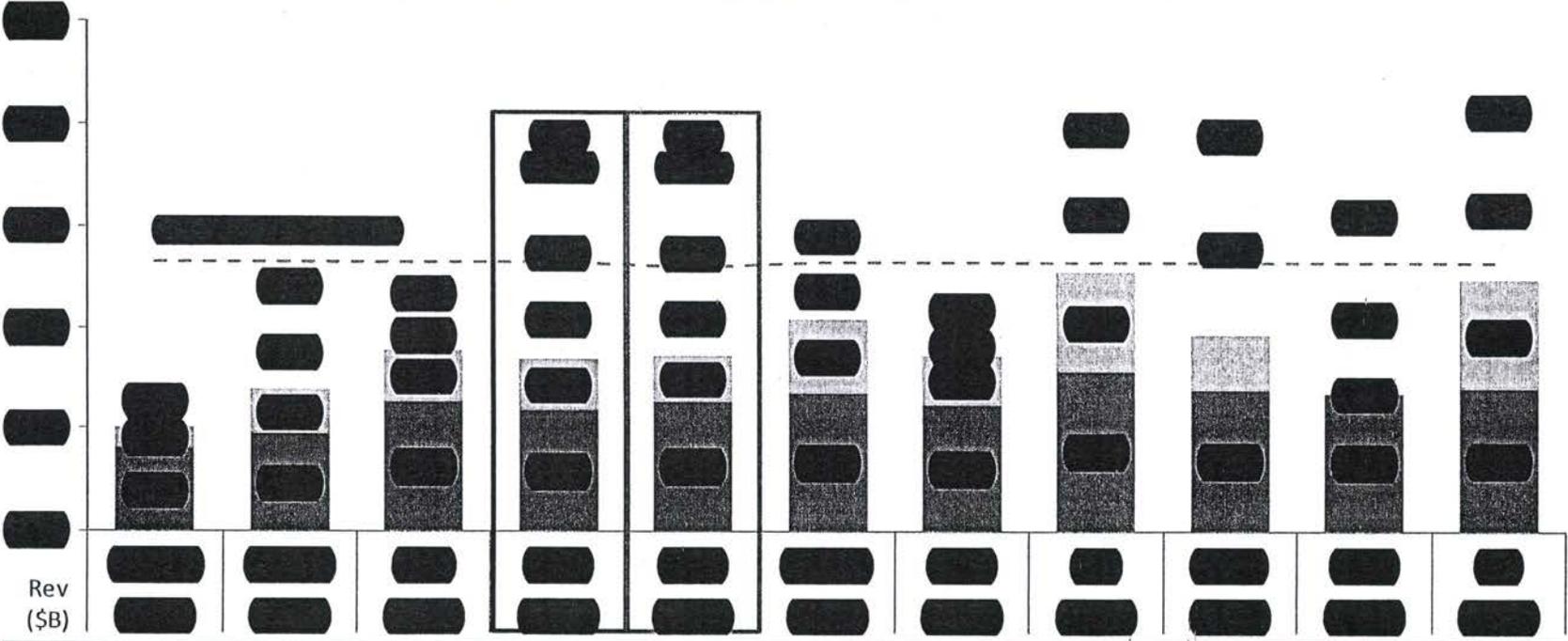
[REDACTED]

Executive Summary – Management Service Fee

Management Service Fee (MSF)

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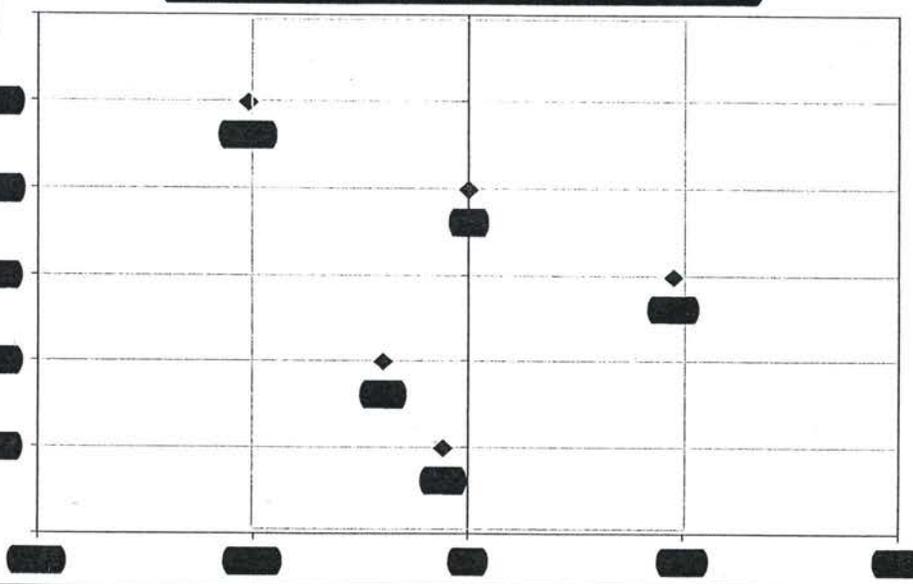
Executive Summary – Base Salary

- [Redacted]
- [Redacted]
- [Redacted]

[Redacted]

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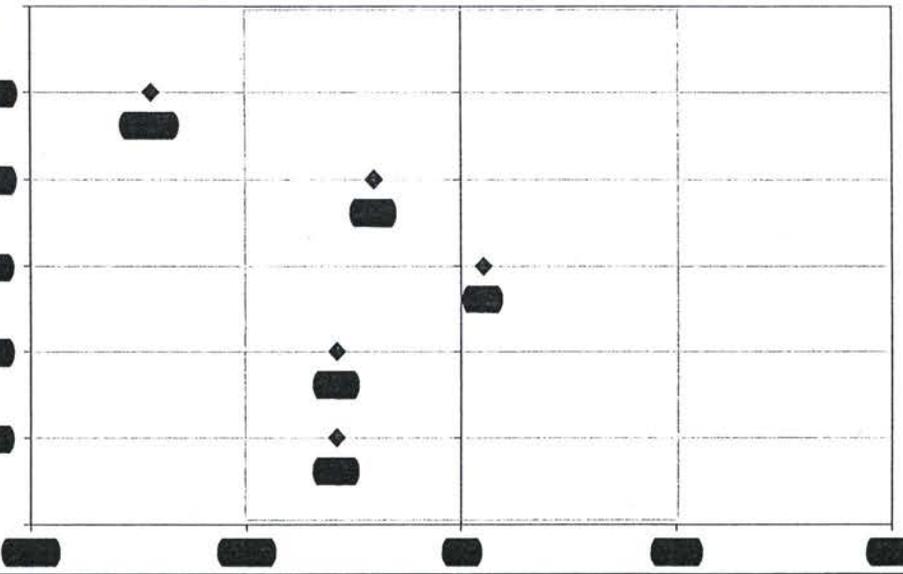
Executive Summary – Target Total Cash Compensation

- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

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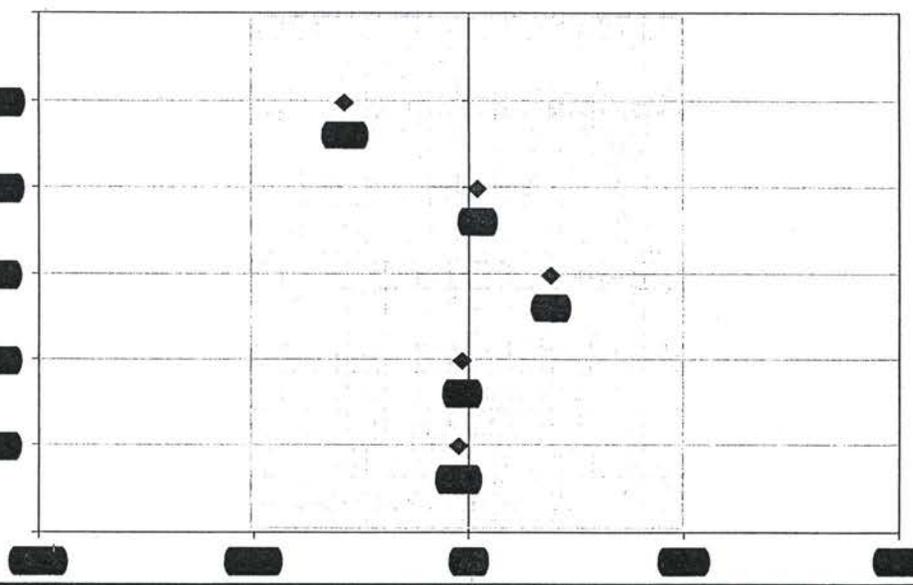
Executive Summary – Target Total Direct Compensation

- [Redacted]
- [Redacted]
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- [Redacted]

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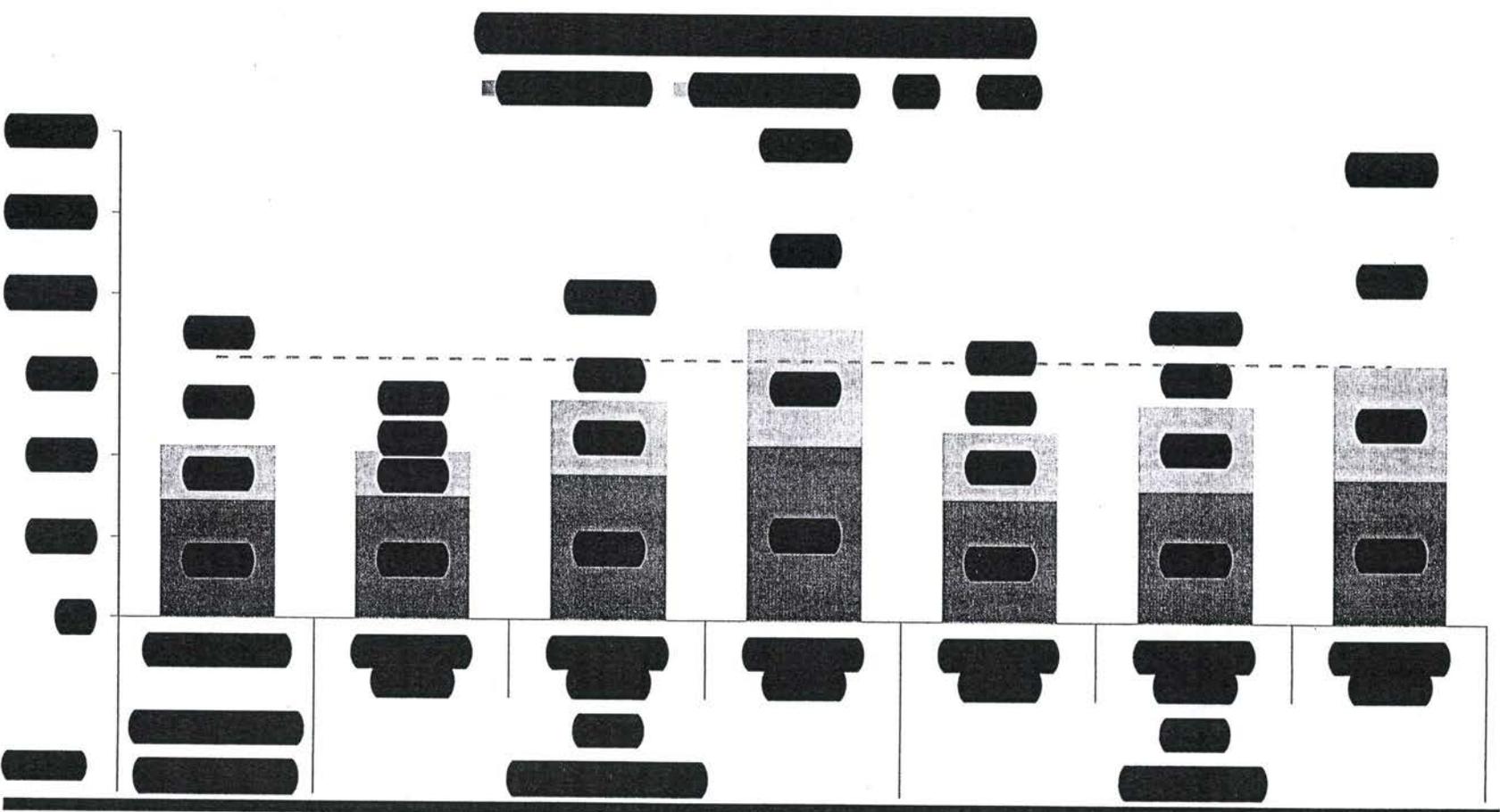
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Executive Pay Analysis – Detailed Findings

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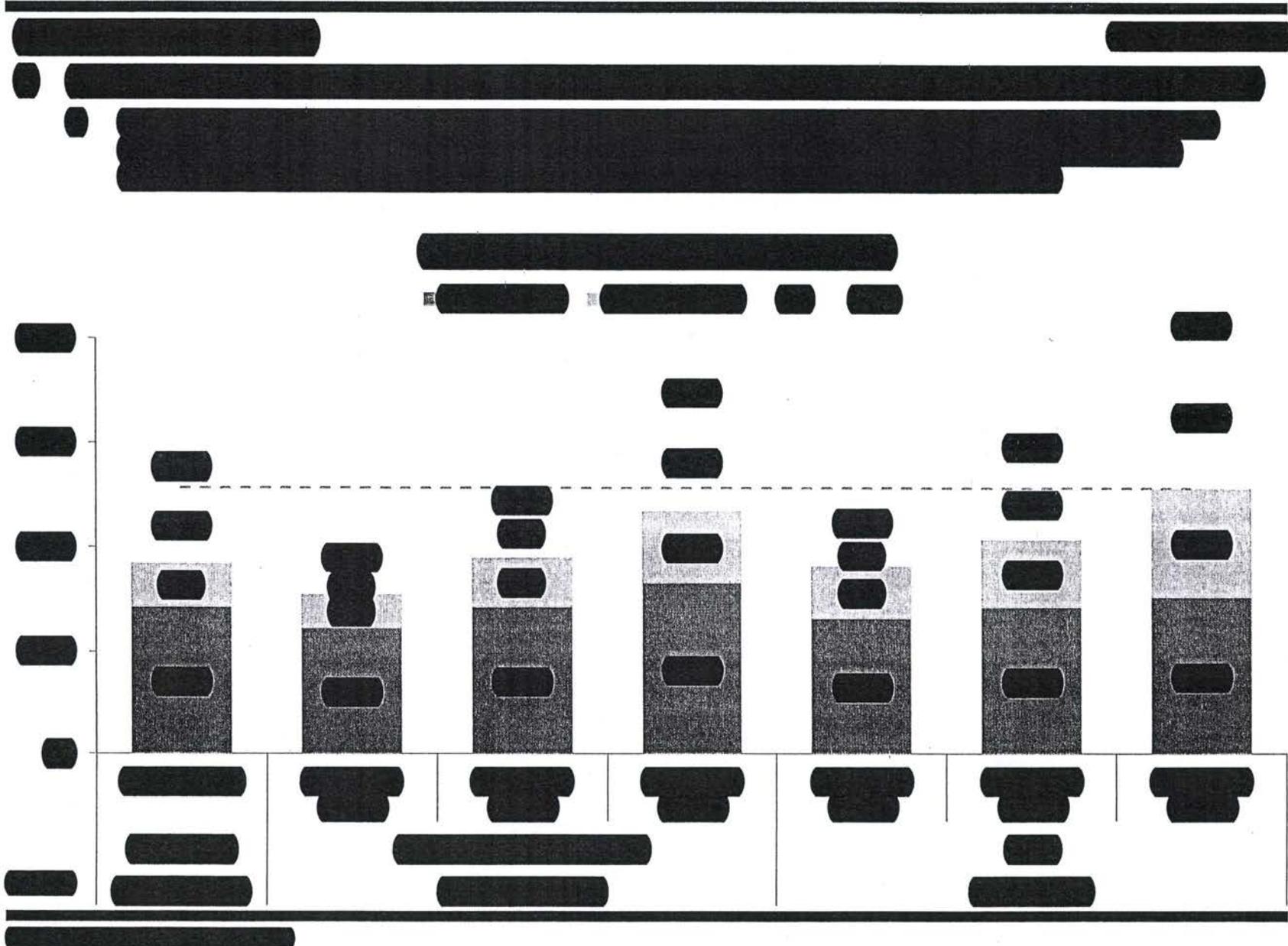
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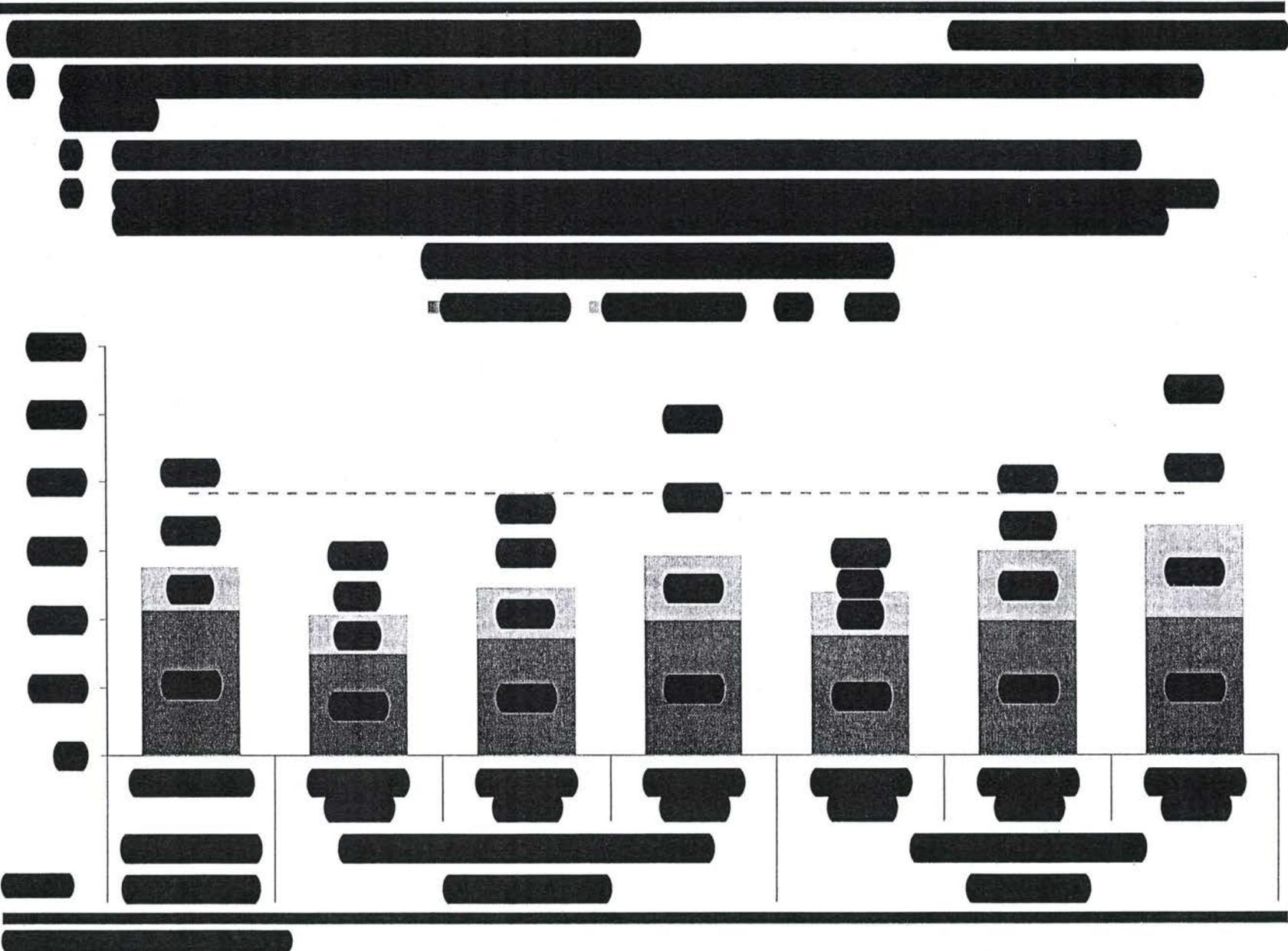


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Executive Pay Analysis – Detailed Findings



Executive Pay Analysis – Detailed Findings

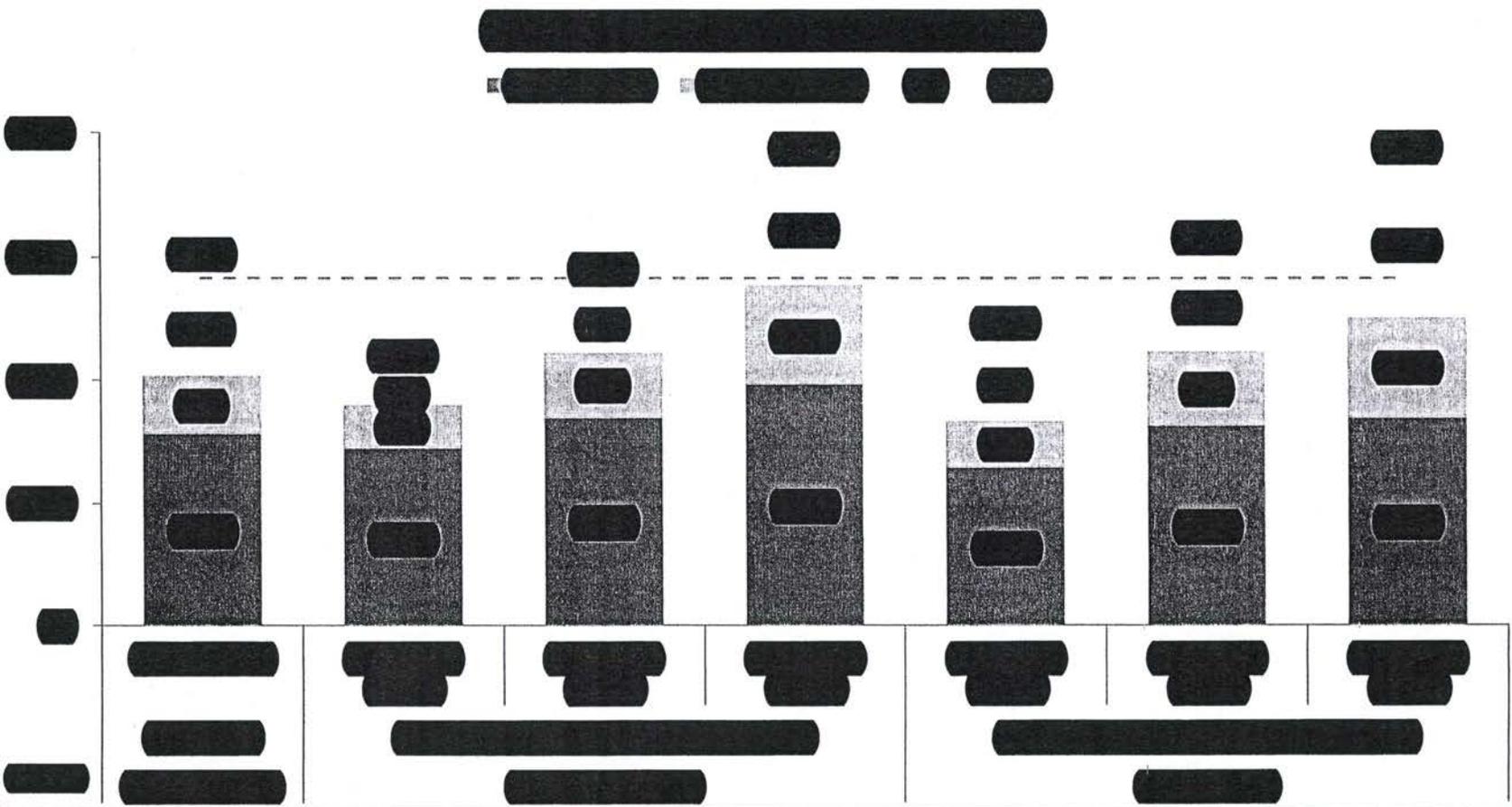


Executive Pay Analysis – Detailed Findings

[REDACTED]

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Executive Pay Analysis – Detailed Findings

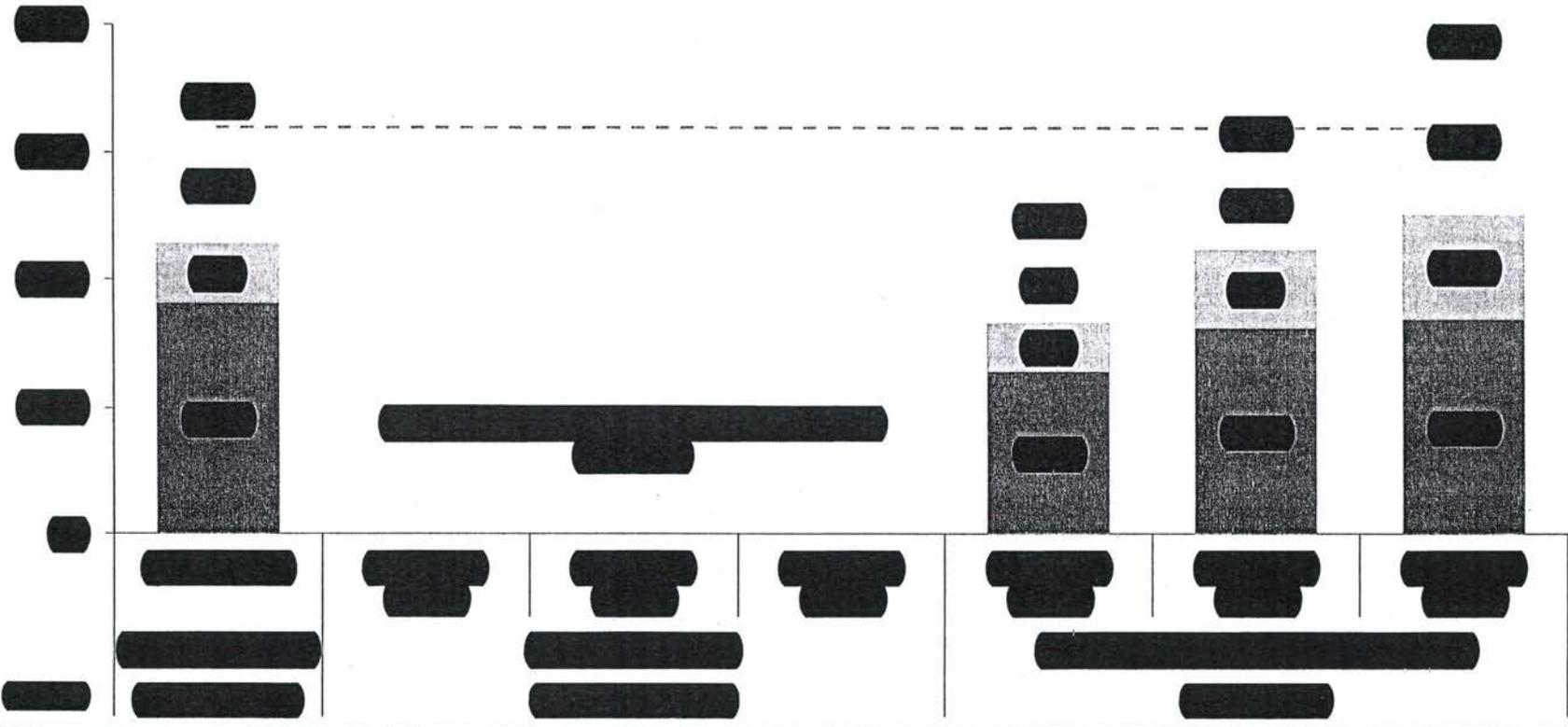
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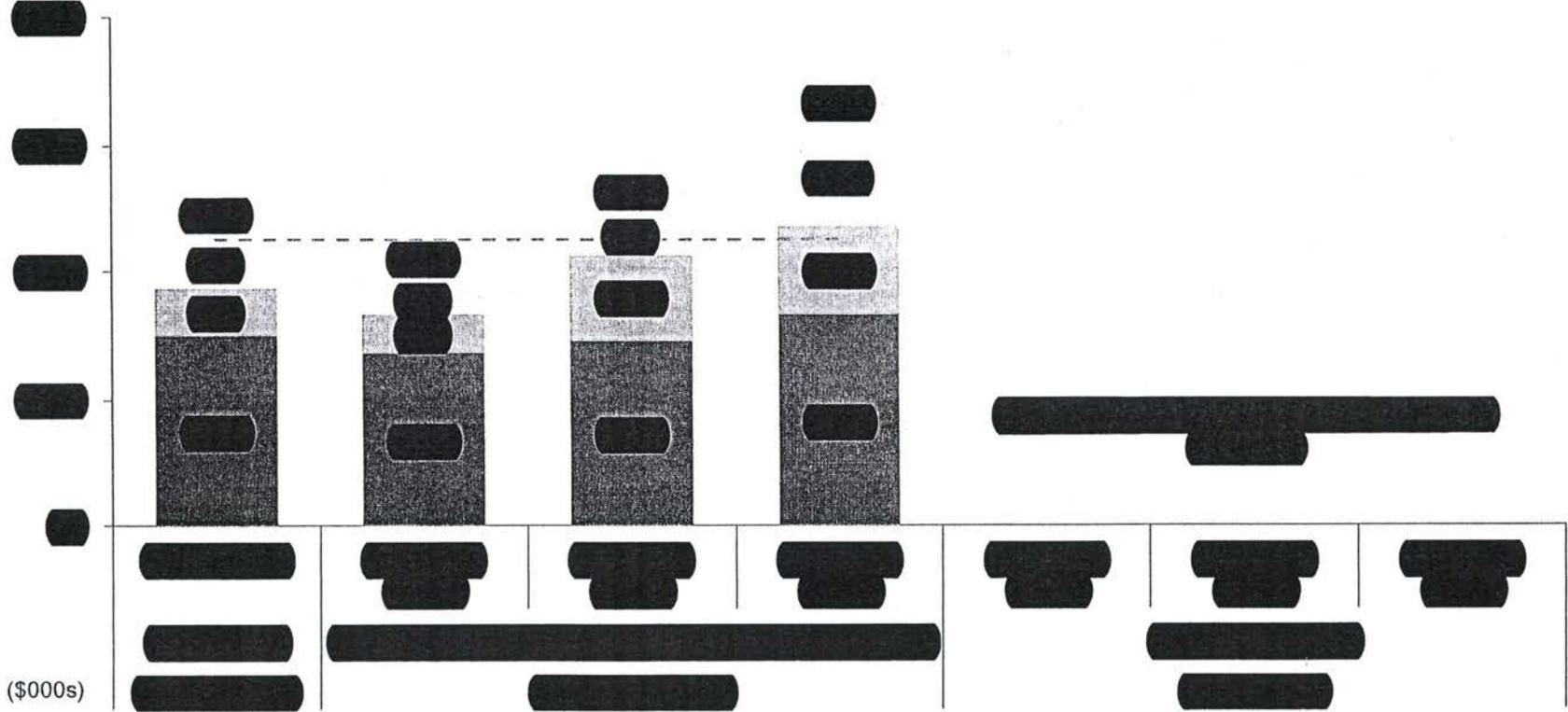


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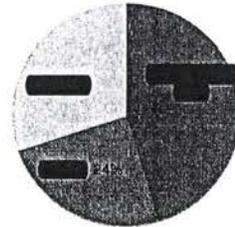
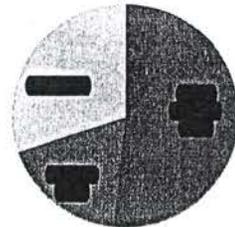
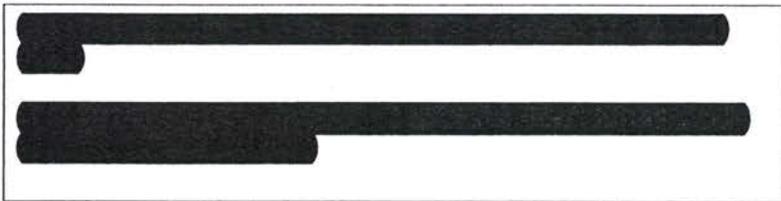
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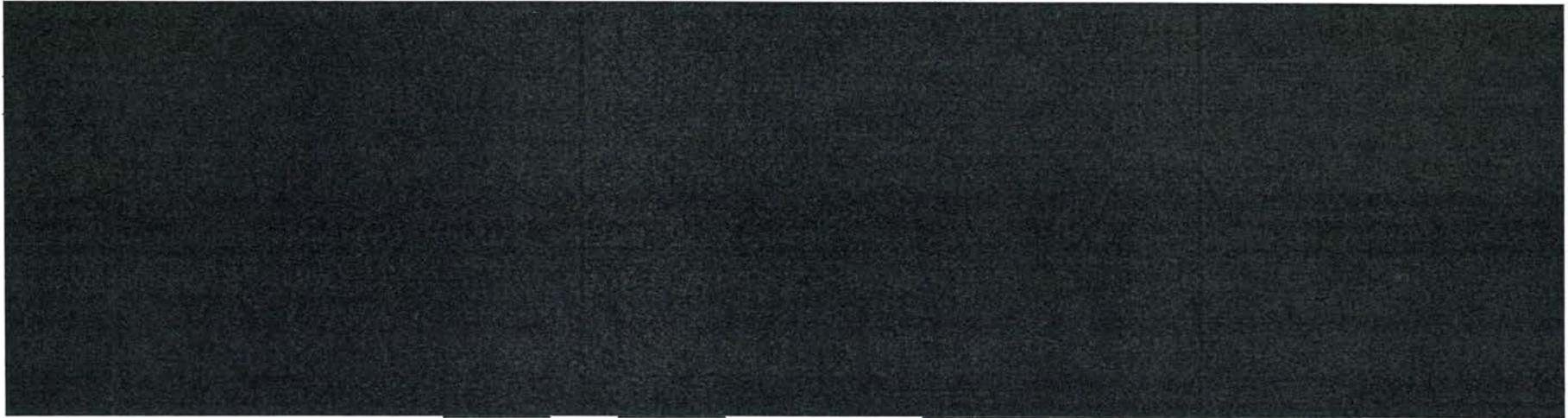


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APPENDICES

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Note: Voluntary Exit Program effective July 19,2013

Rebuttal Testimony of Jeffrey M. Householder

1 The New Energy Development department was formed principally to look for new
2 business opportunities. However, given the skill sets and expertise of the associated
3 employees, FPU utilizes their services in a variety of ways. The development of
4 financial models to evaluate electric-related opportunities and projects is largely
5 performed by this department. As an example, FPU recently began an examination
6 of several alternatives to our current wholesale power providers. One of these
7 alternatives is [REDACTED]

8 [REDACTED] The New Energy
9 Development group assisted in the evaluation of this alternative. Beyond the
10 utilization of the group for specific electric system projects, I believe the recovery of
11 a portion of their costs in rates is appropriate. A healthy, growing corporation
12 provides better and ultimately lower cost services to customers. Developing new
13 business opportunities is fundamental to such growth. As the corporation grows,
14 fixed costs can be allocated over a larger base, effectively holding down cost
15 increases for all business units. Managed growth promotes financial stability,
16 increases capital access at lower cost and contributes to an engaged and motivated
17 workforce. One only need look back prior to the CUC FPU merger for an example
18 of what happens in a non-growth, financial distress environment. The cost
19 allocations for New Business Development are appropriate and should be allowed.

20 **Q. OPC suggests that a portion of the CUC and FPU employee incentive**
21 **compensation programs should be denied since the program'S financial goals,**