BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 140002-EG

ENERGY CONSERVATION COST
RECOVERY CLAUSE.
___________________________/

PROCEEDINGS: HEARING

COMMISSIONERS: CHAIRMAN ART GRAHAM
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER RONALD A. BRISÉ
COMMISSIONER EDUARDO E. BALBIS
COMMISSIONER JULIE I. BROWN

DATE: Wednesday, October 22, 2014

TIME: Commenced at 9:32 a.m.
Concluded at 9:40 a.m.

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: LINDA BOLES, CRR, RPR
Official FPSC Reporter
(850) 413-6734

APPEARANCES:

JOHN T. BUTLER and KENNETH RUBIN, ESQUIRES, 700 Universe Boulevard, Juno Beach, Florida 33408-0420, appearing on behalf of Florida Power & Light Company.

BETH KEATING, ESQUIRE, Gunster Law Firm, 215 South Monroe Street, Suite 601, Tallahassee, Florida 32301-1839, appearing on behalf of Florida Public Utilities Company.

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

JOHN T. BURNETT, DIANE M. TRIPLETT, and MATTHEW BERNIER, ESQUIRES, 106 East College Avenue, Suite 800, Tallahassee, Florida 32301-7740, appearing on behalf of Duke Energy Florida, Inc.

JAMES D. BEASLEY, J. JEFFRY WAHLEN, and ASHLEY M. DANIELS, ESQUIRES, Ausley & McMullen, Post Office Box 391, Tallahassee, Florida 32302, appearing on behalf of Tampa Electric Company.

APPEARANCES (Continued):

J.R. KELLY, PUBLIC COUNSEL; PATRICIA A. CHRISTENSEN, ASSOCIATE PUBLIC COUNSEL, and CHARLES REHWINKEL, DEPUTY PUBLIC COUNSEL, ESQUIRES, Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400, appearing on behalf of the Citizens of Florida.

JON C. MOYLE, JR., and VICKI GORDON KAUFMAN, ESQUIRES, The Moyle Law Firm, P.A., 118 North Gadsden Street, Tallahassee, Florida 32312, appearing on behalf of the Florida Industrial Power Users Group.

GEORGE CAVROS, ESQUIRE, 120 East Oakland Park Boulevard, Suite 105, Fort Lauderdale, Florida 33334, appearing on behalf of the Southern Alliance for Clean Energy.

ROBERT SCHEFFEL WRIGHT and JOHN T. LAVIA, III, ESQUIRES, Florida Retail Federation, The Gardner Law Firm, 1300 Thomaswood Drive, Tallahassee, Florida 32308, appearing on behalf of Walmart Stores East, LP, and Sam's East, Inc.

LEE ENG TAN, 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):

CURT KISER, GENERAL COUNSEL, and MARY ANNE HELTON, DEPUTY GENERAL COUNSEL, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, Advisors to the Florida Public Service Commission.

WITNESSES

EXHIBITS

NUMBER:	ID.	ADMTD.
1 through 15 (as identified on the Comprehensive Exhibit List)	99	99

P R O C E E D I N G S

CHAIRMAN GRAHAM: Okay. Now I think it's time to convene the 2014 clause hearing. If I can get the staff to read the order.

MS. TAN: By notice issued September 17th, 2014, this time and place is set for a hearing conference in the following dockets: 140001-EI, 140002-EG, 140003-GU, 140004-GU, and 140007-EI. The purpose of the hearing conference is set out in the notice.

CHAIRMAN GRAHAM: Okay. Let's take appearances.

MR. BUTLER: Good morning, Mr. Chairman. John Butler and Ken Rubin appearing on behalf of FPL in the 02 docket, and John Butler and Maria Moncada appearing on behalf of FPL in the 01 and 07 dockets. Thank you.

MS. DANIELS: Good morning, Chairman. Ashley Daniels appearing with James Beasley and Jeffry Wahlen with Ausley McMullen appearing on behalf of Tampa Electric Company in the 01, 02, and 07 dockets. Thank you.

MR. BERNIER: Good morning, Commissioners. Matt Bernier with Duke Energy appearing in the 01, 02, and 07 dockets, along with John Burnett and Dianne Triplett. I'd also like to enter an appearance for Gary

Perko in the 07 docket. Thank you.

MR. BADDERS: Good morning, Chairman. Russell Badders on behalf of Gulf Power Company. I'd like to enter an appearance for myself, Jeffrey A. Stone, Steven R. Griffin in the 01, 02, and 07 dockets.

MR. CAVROS: Good morning, Commissioners. George Cavros on behalf of the Southern Alliance for Clean Energy. I'll be representing the organization in the 02 and the 07 dockets.

MS. KAUFMAN: Good morning, Commissioners. Vicki Gordon Kaufman and Jon Moyle of the Moyle Law Firm on behalf of the Florida Industrial Power Users Group in the 01, 02, and 07 dockets.

MS. KEATING: Good morning, Commissioners. Beth Keating with the Gunster Law Firm here today for FPU in the 01 and 02 dockets, for FPU and Florida City Gas in the 03 docket, and for FPU, Indiantown, Fort Meade, Florida City Gas, and Chesapeake in the 04 docket.

MR. WRIGHT: Good morning, Commissioners. Robert Scheffel Wright and John T. LaVia, III, of the Gardner, Bist, Weiner Law Firm in the 01 fuel cost recovery docket. We're appearing on behalf of the Florida Retail Federation. In the 02 docket we're appearing on behalf of Walmart Stores East and Sam's

East, LP. Thank you.

MR. REHWINKEL: Good morning, Commissioners. Charles Rehwinkel, Patty Christensen, and J. R. Kelly with the Office of Public Counsel on behalf of the people of the State of Florida in all dockets.

MS. TAN: Martha Barrera for the 01 docket, Lee Eng Tan for the 02 docket, Kyesha Mapp and Keino Young for the 03 docket, Kelley Corbari for the 04 docket, and Charlie Murphy for staff on the 07 docket.

MS. HELTON: And I'm Mary Anne Helton. I'm here as your advisor on all the dockets. And I'd also like to enter an appearance for your General Counsel, Curt Kiser.

CHAIRMAN GRAHAM: Okay. So those five dockets that we're going to address today, staff, I take it we're taking in the order of docket 02, then 03, then 04, then 01, then 07, in that order?

MS. TAN: That is correct. And, Chairman, I'd also like to note that the following parties have been excused from attending the hearing: St. Joe Natural Gas Company in the 03 and the 04 docket, Peoples Gas System in the 03 and the 04 docket, Sebring Gas System in the 04 docket, and PCS Phosphate/White Springs in the 01, 02, and 07 dockets.

CHAIRMAN GRAHAM: Okay. Well, if there's nothing else, then I guess we move to the individual dockets.

MS. TAN: That is correct.

CHAIRMAN GRAHAM: All right. So let's start off with the first one, Docket Number 140002-EG. We will open that docket. Any preliminary matters?

MS. TAN: Yes. Staff first notes that PCS Phosphate/White Springs has been excused from the hearing. And we also note that all the witnesses have been excused and that all the parties have waived opening statements. We mentioned that there are proposed stipulations on all the issues. And for Issue A, all parties have stipulated to it, with OPC taking no position. And Issues 1 through 6 have been stipulated by all the parties, with OPC, FIPUG, PCS, SACE, and Walmart taking no position.

We do recommend that if you, if you decide that a bench decision is appropriate, you can look at the proposed stipulations, which are on page 9 through 13 of the Prehearing Order.

CHAIRMAN GRAHAM: All right. Well, Commissioners, it's time for us to ask staff any questions, and so I guess we need to vote on the proposed stipulations as well.

MS. TAN: That is correct.

CHAIRMAN GRAHAM: All right. Commissioners, any questions of staff?

Seeing none, can I get a motion for the stipulation.

S? Commissioner Edgar.

COMMISSIONER EDGAR: Thank you, Mr. Chairman. I have reviewed the material and the proposed stipulations and went through it with staff recently. So if there are no questions, in order to put us in the proper posture, I would move approval of all proposed stipulations in this docket, which are Issues A and Issues 1 through 6.

COMMISSIONER BROWN: Second.

CHAIRMAN GRAHAM: It's been moved and seconded, all issues in this docket. Any further discussion?

Seeing none, all in favor, say aye.

(Vote taken.)

Any opposed? By your actions, you've approved all those issues.

All right. Staff, what do we have to do about the prefiled testimony?

MS. TAN: We would like to ask that the prefiled testimony of all the witnesses identified in

Section VI of the Prehearing Order be inserted into the record as though read.

CHAIRMAN GRAHAM: We'll insert all those prefiled direct testimonies into the record as though read.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

TESTIMONY OF TERRY J. KEITH

DOCKET NO. 140002-EG

MAY 2, 2014

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

A. My name is Terry J. Keith and my business address is 9250 West Flagler Street, Miami, Florida, 33174. I am employed by Florida Power & Light Company ("FPL" or "the Company") as Director, Cost Recovery Clauses, in the Regulatory Affairs Department.

Q. Have you previously testified in this or predecessor dockets?

A. Yes.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present for Commission review and approval the schedules supporting the calculation of the actual Energy Conservation Cost Recovery ("ECCR") Clause net true-up amount for the period January 2013 through December 2013.

Q. Have you prepared or caused to be prepared under your direction, supervision or control an exhibit in this proceeding?

A. Yes, I am sponsoring Schedules CT-1 and CT-4, and co-sponsoring Schedules CT-2 and CT-3, in Exhibit AS-1. The specific sections of Schedules CT-2 and CT-3 that I am co-sponsoring are identified in the Table of Contents, which is found in Exhibit AS-1, Page 1 of 1.

Q. What is the source of the data used in calculating the actual true-up amount for the January 2013 through December 2013 period?

A. Unless otherwise indicated, the data used in calculating the actual true-up amount were taken from the books and records of FPL. The books and records are kept in the regular course of the Company's business in accordance with generally accepted accounting principles and practices, and in accordance with the applicable provisions of the Uniform System of Accounts as prescribed by this Commission and directed in Rule 25-17.015, Florida Administrative Code. Pages 4 of 5 and 5 of 5 of Schedule CT-2, provide a complete list of all account numbers used for ECCR recovery during the period January 2013 through December 2013.

Q. What is the actual end of period true-up amount that FPL is requesting the Commission to approve for the January 2013 through December 2013 period?

A. FPL has calculated and is requesting approval of an under-recovery of $14,084,688 including interest, as the actual end of period true-up amount for the period January 2013 through December 2013. The calculation of this $14,084,688 under-recovery is shown on Schedule CT-3, Page 2 of 3, line 7 plus line 8.

Q. What is the net true-up amount for the January 2013 through December 2013 period that FPL is requesting be carried over and included in the January 2015 through December 2015 ECCR factor?

A. FPL has calculated and is requesting approval of an over-recovery of $1,964,488 as the net true-up amount for the period January 2013 through December 2013. This net true-up over-recovery of $1,964,488 is the difference between the actual end of period true-up under-recovery of $14,084,688 and the actual/estimated true-up under-recovery of $16,049,176 approved by the Commission in Order No. PSC-13-0614-FOF-EG, issued November 20, 2013. The calculation of the $1,964,488 over-recovery is shown on Schedule CT-1, Page 1 of 1.

Q. Was the calculation of the net true-up amount for the period January 2013 through December 2013 performed consistently with the prior true-up calculations in this and the predecessor ECCR 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.

Q. Have you provided a schedule showing the variances between actual and actual/estimated program costs and revenues for the period January 2013 through December 2013?

A. Yes. Schedule CT-2, Page 1 of 5, compares actual to actual/estimated program costs, revenues and interest, resulting in the variance of $1,964,488.

Q. Please explain the calculation of the $ 1,964,488 variance.

A. The difference between actual and actual/estimated ECCR revenues, net of revenues taxes of $11,561 (CT-2, Page 1 of 5, line 16) minus the difference between actual and actual/estimated total adjusted program costs of $1,952,729 (CT-2, Page 1 of 5, line 13) results in a variance of $1,964,290 (CT-2, Page 1 of 5, line 17). This $1,964,290 over-recovery, plus the variance of $198 in interest (CT-2, Page 1 of 5, line 18), results in a net over-recovery of $1,964,488 (CT-2, Page 1 of 5, line 22).

Q. Does this conclude your testimony?

A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

TESTIMONY OF TERRY J. KEITH

DOCKET NO. 140002-EG

AUGUST 27, 2014

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

A. My name is Terry J. Keith and my business address is 9250 West Flagler Street, Miami, Florida, 33174. I am employed by Florida Power & Light Company ("FPL" or "the Company") as Director, Cost Recovery Clauses, in the Regulatory Affairs Department.

Q. Have you previously filed testimony in this docket?

A. Yes, I have.

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

A. The purpose of my testimony is to present the schedules necessary to support the actual/estimated Energy Conservation Cost Recovery ("ECCR") clause true-up for the period January 2014 through December 2014 and the calculation of the ECCR factors based on the projected ECCR costs for FPL's Demand Side Management ("DSM") programs to be incurred during the months of January 2015 through December 2015.

Q. Have you prepared or caused to be prepared under your direction, supervision or control any exhibits in this proceeding?

A. Yes, I am sponsoring Schedules C-1 and C-4, and co-sponsoring Schedules C-2 and C-3 in Exhibit AS-2. The specific sections of Schedules C-2 and C-3 which I am co-sponsoring are identified in the Table of Contents, which is found on page 1 of Exhibit AS-2.

Q. What is the source of the data used in calculating the 2014 actual/estimated true-up amount?

A. Unless otherwise indicated, the data used in calculating the 2014 actual/estimated true-up amount was taken from the books and records of FPL. The books and records are kept in the regular course of the Company's business in accordance with generally accepted accounting principles and practices, and with the applicable provisions of the Uniform System of Accounts as prescribed by this Commission and directed in Rule 25-17.015, Florida Administrative Code.

Q. Please explain the calculation of the ECCR end of period net true-up and actual/estimated true-up amounts for 2014.

A. Schedule C-3, pages 12 and 13, provide the calculation of the 2014 ECCR end of period net true-up and actual/estimated true-up amounts. The end of period net true-up amount to be carried forward to the 2015 ECCR factor is an over-recovery of $5,151,261 (Schedule C-3, page 12, line 11). This $5,151,261 over-recovery includes the 2013 final true-up over-recovery of $1,964,488 (Schedule C-3, page 12, line 9a) filed with the Commission on May 2, 2014, and the 2014 actual/estimated true-up over-recovery, including interest, of $3,186,774, (Schedule C-3, page 12, lines 7 plus 8) for the period January 2014 through December 2014.

The 2014 actual/estimated true-up over-recovery amount is based on actual data for the period January 2014 through June 2014 and estimates for the period July 2014 through December 2014.

Q. Were these calculations made in accordance with the procedures previously approved in the predecessors to this Docket?

A. Yes, they were.

Q. Have you prepared a calculation of the allocation factors for demand and energy?

A. Yes. Schedule C-1, page 2 included in AS-2, provides this calculation. The demand allocation factors are calculated by determining the percentage each rate class contributes to the monthly system peaks. The energy allocation factors are calculated by determining the percentage each rate class contributes to total kWh sales, as adjusted for losses.

Q. Have you prepared a calculation of the 2015 ECCR factors by rate class?

A. Yes. Schedule C-1, page 3 in Exhibit AS-2 provides the calculation of FPL's 2015 ECCR factors being requested.

Q. Does this conclude your testimony?

A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

TESTIMONY OF ANITA SHARMA

DOCKET NO. 140002-EG

MAY 2, 2014

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) as Manager, Cost & Performance, in the Demand Side Management (DSM) Department.

Q. Have you previously testified in this or predecessor dockets?

A. Yes.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present the actual DSM program-related costs for the period January 2013 through December 2013.

Q. Have you prepared or caused to be prepared under your direction, supervision or control an exhibit in this proceeding?

A. Yes. I am sponsoring Schedules CT-5, CT-6 and Appendix A, and co-sponsoring Schedules CT-2 and CT-3, in Exhibit AS-1. The specific sections of Schedules CT-2 and CT-3 that I am co-sponsoring are identified in the Table of Contents in Exhibit AS-1.

Q. For the January 2013 through December 2013 period, did FPL seek recovery of any costs for advertising which makes a specific claim of potential energy savings or states appliance efficiency ratings or savings?

A. Yes.

Q. Has FPL complied with Rule 25-17.015(5), Florida Administrative Code, which requires FPL to file all data sources and calculations used to substantiate claims of potential energy savings or which state appliance efficiency ratings or savings that are included in advertisement?

A. Yes. The documentation required by the Rule is included in Appendix A.

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

A. Yes.

Q. How did FPL's actual program costs for the January 2013 through December 2013 period compare to the actual/estimated costs presented in Docket No. 130002-EG, and approved in Order No. PSC-13-0614-FOF-EG?

A. Actual costs for the period were $244,296,253. The actual/estimated costs were $246,248,982. Therefore, actual costs were $1,952,729, or less than one percent, lower than the actual/estimated costs (see Schedule CT-2, Page 1, Line 13). Each program's contribution to the variance is shown on Schedule CT-2, Page 3.

Q. Does that conclude your testimony?

A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

FLORIDA POWER & LIGHT COMPANY

TESTIMONY OF ANITA SHARMA

DOCKET NO. 140002-EG

AUGUST 27, 2014

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

A. My name is Anita Sharma. 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, DSM Cost & Performance.

Q. Have you previously filed testimony in this or a predecessor docket?

A. Yes.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to submit for Commission review and approval the projected Energy Conservation Cost Recovery (ECCR) costs for FPL's Demand-Side Management (DSM) programs to be incurred by FPL during January 2015 through December 2015 and the actual/estimated ECCR costs for January 2014 through December 2014.

Q. Are you sponsoring an exhibit in this proceeding?

A. Yes. I am sponsoring Exhibit AS-2, Schedule C-5, and co-sponsoring Schedules C-2 and C-3. The specific sections of Schedules C-2 and C-3 that I am co-sponsoring are shown in Exhibit AS-2, Page 1, Table of Contents.

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

A. Yes. All 2015 cost projections are based on FPL's current programs and rebates, with one caveat. FPL's 2015 projections incorporate the anticipated Commission Staff approval of the currently pending revisions to FPL's Residential Air-Conditioning Program Standards resulting from the changes in federal equipment manufacturing standards which take effect January 1, 2015. Additionally, FPL's 2015 projections are consistent with the Company's proposed DSM Goals filed in Docket 130199-EI.

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

A. The actual costs for the months of January 2014 through June 2014 came from the books and records of FPL. The books and records are kept in the regular course of FPL's business in accordance with generally accepted accounting principles and practices, and with the applicable provisions of the Uniform System of Accounts as prescribed by this Commission and directed in Rule 25-17.015, Florida Administrative Code.

Costs for the months of July 2014 through December 2014, as well as January 2015 through December 2015, are projections compiled from detailed month-by-month analyses for each program which were prepared by the relevant departments within FPL. The projections have been created in accordance with FPL's standard budgeting and on-going cost justification processes. FPL's 2015 projections are consistent with the Company's proposed DSM Goals filed in Docket 130199-EI. The Commission's subsequent approval of a DSM Plan and related Program Standards designed to meet the DSM Goals is projected to impact expenditures in the second half of 2015.

Q. What are the 2014 actual/estimated costs FPL is requesting the Commission to approve?

A. FPL is requesting approval of $313,534,540 as the actual/estimated amount for the period January 2014 through December 2014, as shown on Exhibit AS-2, Schedule C-3, Page 11, Line 31.

Q. What are the 2015 costs FPL is requesting the Commission to approve?

A. FPL is requesting approval of $191,357,240 for recovery during the period of January 2015 through December 2015, as shown on Exhibit AS-2, Schedule C-1, Page 1, Line 8. This includes projected costs for January 2015 through December 2015 of $196,450,060 as shown on Exhibit AS-2, Schedule C-1, Page 1, Line 1, as well as prior and current period over recoveries, interest and applicable revenue taxes.

Q. Does this conclude your testimony?

A. Yes.

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 140002-EG
DETERMINATION OF CONSERVATION COSTS RECOVERY FACTOR

Direct Testimony (True-Up) of
CURTIS D. YOUNG

On Behalf of
FLORIDA PUBLIC UTILITIES COMPANY

Q. Please state your name and business address.

A. Curtis D. Young: my business address is 1641 Worthington Road, Suite 220 West Palm Beach, Florida 33409.

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

A. I am employed by Florida Public Utilities Company as a Senior Regulatory Analyst.

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, 2013 through December 31, 2013 as compared to the true-up amounts previously reported for that period which were based on six months actual and six 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, 2013 through December 31, 2013.

A. The Company over-recovered $292,961 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 2013 hearing?

A. We had estimated that we would over-recover $375,260 as of December 31, 2013.

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 CDY-1).

Q. Does this conclude your testimony?

A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Determination of Conservation Adjustment Factor

DIRECT TESTIMONY OF CURTIS D. YOUNG

On behalf of

Florida Public Utilities Company

DOCKET NO. 140002-EG

Q. **Please state your name, occupation and business address.**

A. My name is Curtis Young. I am the Senior Regulatory Analyst for Florida Public Utilities Company. My business address is 1641 Worthington Road, West Palm Beach, Florida 33409.

Q. **Describe briefly your background and business experience?**

A. I graduated from Pace University in 1982 with a BBA in Accounting. I have been employed by FPUC since 2001. During my employment at FPUC, I have performed various accounting and analytical functions including regulatory filings, revenue reporting, account analysis, recovery rate reconciliations and earnings surveillance. I am also involved in the preparation of special reports and schedules used internally by division managers for decision making projects. Additionally, I coordinate the gathering of data for the FPSC audits.

Q. **Are you familiar with the electric conservation programs of the Company and costs which have been, and are projected to be, incurred in their implementation?**

A. Yes.

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

A. To describe generally the expenditures made and projected to be made in implementing, promoting, and operating the Company's electric conservation programs. This will include recoverable costs incurred in January through June 2014 and projections of program costs to be incurred from July through December 2014. It will also include projected electric conservation costs for the period January through December 2015, with a calculation of the Conservation Adjustment Factor to be applied to the Company's consolidated electric customers' bills during the collection period of January 1, 2015 through December 31, 2015.

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

A. Yes. I wish to sponsor as exhibits Schedules C-1, C-2, C-3, C-4, and C-5, which have been filed with this testimony.

Q. Have you prepared summaries of the Company's electric conservation programs and the costs associated with these programs?

A. Yes. Summaries of the twelve electric conservation programs are contained in Schedule C-5 of Exhibit CDY-2. Included are the Residential Energy Survey Program, the Commercial Energy Survey Program, the Commercial Heating and Cooling Upgrade, the Residential Heating and Cooling Program, the Commercial Indoor Efficient Lighting Rebate Program, the Commercial Window Film Installation Program, the Commercial Chiller Upgrade Program, the Solar Water Heating Program, the Solar Photovoltaic Program, the Electric Conservation Demonstration and Development Program, the Low Income Program and the Affordable Housing Builders and Providers Program.

Q. Have you prepared schedules that show the expenditures associated with the Company's electric conservation programs for the periods you have mentioned?

A. Yes, Schedule C-3, Pages 1 and 1A of 5, Exhibit CDY-2 shows actual expenses for the months January through June 2014. Projections for July through December 2014 are also shown on Schedule C-3, Pages 1 and 1A. Projected expenses for the January through December 2015 period are shown on Schedule C-2, Page 1 of 3 of Exhibit CDY-2.

Q. **Have you prepared schedules that show revenues for the period January through December 2014?**

A. Yes. Schedule C-4 shows actual revenues for the months January through June 2014 and projected revenues for July through December 2014 and January through December 2015.

Q. **Have you prepared a schedule that shows the calculation of the Company's proposed Conservation Adjustment Factor to be applied during billing periods from January 1, 2015 through December 31, 2015?**

A. Yes. Schedule C-1 of Exhibit CDY-2 shows these calculations. Net program cost estimates for the period January 1, 2015 through December 31, 2015 are used. The estimated true-up amount from Schedule C-3 (Page 4 of 5, Line 11) of Exhibit CDY-2, being an over-recovery, was added to the total of the projected costs for the twelve-month period. The total projected recovery amount, including estimated true-up, was then divided by the projected Retail KWH Sales for the twelve-month period ending December 31, 2015. The resulting Conservation Adjustment Factor is shown on Schedule C-1 (Page 1 of 1) of Exhibit CDY-2.

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

A. The Conservation Adjustment Factor is $.00107 per KWH.

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

A. Yes.

GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony and Exhibit of
Jennifer L. Todd
Docket No. 140002-EG
Date of Filing: May 2, 2014

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

A. My name is Jennifer L. Todd and my business address is One Energy Place, Pensacola, Florida 32520. I am employed by Gulf Power Company (Gulf or the Company) as the Market Analytics Supervisor.

Q. Ms. Todd, please describe your educational background and business experience.

A. I received a Bachelor's Degree in Management Information Systems from the University of West Florida in 1994. I began my career in the electric utility industry at Gulf in 1992 and have held various positions of increasing responsibility within the Company in Information Technology, Accounting, and Marketing. In my current position, I am responsible for Energy Conservation Cost Recovery (ECCR) filings, economic evaluations, end-use load research, 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. Ms. Todd, what is the purpose of your testimony?

A. The purpose of my testimony is to present the results of the approved Energy Conservation Cost Recovery Clause programs and related expenses for January, 2013 through December, 2013.

Q. Are you sponsoring any exhibits to your testimony?

A. Yes, I sponsor Exhibit JLT-1, Schedules CT-1 through CT-6.

Q. Have you verified that the information contained in Exhibit JLT-1 is correct?

A. Yes, I have. This exhibit was prepared under my direction and control, and the information contained therein is true and correct to the best of my knowledge.

Counsel: We ask that Ms. Todd's exhibit consisting of 6 Schedules, CT-1 through CT-6, be marked for identification as:
Exhibit No. ____ (JLT-1)

Q. Please summarize for this Commission the deviations between the actual expenses for this recovery period and the amount of estimated/actual expenses previously filed with this Commission.

A. The estimated/actual true-up net expenses for the entire recovery period January 2013 through December 2013, previously filed were $27,107,457 while the actual expenses incurred in 2013 were $27,431,962 resulting in a variance of $324,505 or 1.2% over the projection. See Schedule CT-2, Line 10.

Q. Ms. Todd, would you explain the January 2013 through December 2013 variance?

A. Yes. The variance was a result of actual expenses being more than estimated in the following residential programs: Ceiling Insulation, High Performance Window, Reflective Roof, Variable Speed Pool Pump, Energy Select/Energy Select LITE, Refrigerator Recycling and the Energy Select Electric Vehicle Pilot. Additionally, actual expenses were more than estimated in the following commercial programs: Energy Audit, Building Efficiency, and HVAC Occupancy Sensor. Finally, actual expenses were more than estimated in the Solar for Schools and Solar Thermal Water Heating renewable programs. Overall, these variances mean that actual program expenses for the 12 month period through December 2013 were $324,505 more than the level of estimated/actual program expenses filed in September 2013. A more detailed description of the deviations is contained in Schedule CT-6.

Q. Mrs. Todd, what was Gulf's adjusted net true-up for the period January 2013 through December 2013?

A. There was a $1,579,073 under-recovery as shown on Schedule CT-1.

Q. Please describe your program participation levels 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 participation levels during this recovery period.

(A) Residential Energy Surveys - During the 2013 recovery period, the Company completed 7,952 surveys compared to the projection of 9,550.

(B) Home Energy Reporting – During the 2013 recovery period a total of 39,171 home energy report participants received home energy reports from the Company compared to a projection of 39,179.

(C) Community Energy Saver – During the 2013 recovery period the Company implemented a total of 2,220 efficiency measures for eligible participants compared to a projection of 2,500.

(D) Landlord-Renter Custom Incentive – During the 2013 recovery period no participants enrolled in this program compared to a projection of 750 participants.

(E) HVAC Efficiency – During the 2013 recovery period, there were a total of 21,887 participants in this program compared to a projection of 20,494.

(F) Heat Pump Water Heater – During the 2013 recovery period, a total of 2,006 heat pump water heaters were installed compared to a projection of 2,263.

(G) Ceiling Insulation – During the 2013 recovery period a total of 509 participants installed high efficiency ceiling insulation compared to a projection of 538.

(H) High Performance Window – During the 2013 recovery period a total of 1,377 customers installed high efficiency windows and 160 customers installed window film compared to projections of 1,135 and 192, respectively.

(I) Reflective Roof – During the 2013 recovery period, a total of 517 participants installed a qualified reflective roof compared to a projection of 663.

(J) Variable Speed Pool Pump – During the 2013 recovery period a total of 998 participants installed a high-efficiency variable speed pool pump compared to a projection of 1,129.

(K) Energy *Select*/Energy *Select LITE* - During the 2013 recovery period there was a net increase of 2,149 customers (Energy *Select* and Energy *Select* LITE combined) with a total of 12,627 customers on-line at December 31, 2013. Gulf projected 1,600 net new customer additions during 2013.

(L) Self-Install Efficiency – During the 2013 recovery period this program has achieved the following participation: 2,753 ENERGY STAR Refrigerators, 174 ENERGY STAR Freezers, 233 ENERGY STAR Window A/Cs and 2,750 ENERGY STAR Clothes Washers. The projection for 2013 was 7,150 ENERGY STAR appliances.

(M) Refrigerator Recycling – During the 2013 recovery period, the Company had 982 customers participate in the Refrigerator Recycling program compared to a projection of 903 participants.

(N) Commercial/Industrial (C/I) Energy Analysis - During the 2013 recovery period, a total of 567 C/I Energy Analyses were completed compared to a projection of 600.

(O) Commercial HVAC Retrocommissioning – During the 2013 recovery period, there were 254 participants in this program compared to a projection of 247.

(P) Commercial Building Efficiency - During the 2013 recovery period, 2,731 tons of HVAC retrocommissioning were completed, 128 tons of geothermal were installed, one heat pump water heater was installed, 190,760 sq. ft. of ceiling insulation and 9,805 sq. ft. of window film were installed, 849 kW of interior lighting and 966 kW of LED lighting were installed, 4,277 occupancy sensors were installed and 1,730,233 sq. ft. of reflective roof installed. Comparisons to 2013 projections can be found in Schedule CT-6.

(Q) HVAC Occupancy Sensor – During the 2013 recovery period a total of 4,825 HVAC occupancy sensors were installed compared to a projection of 410 sensors.

(R) High Efficiency Motors – During the 2013 recovery period, 433 HP of high-efficiency motors were installed compared to a projection of 258 HP.

(S) Food Service Efficiency - During the 2013 recovery period, there were 20 participants in this program compared to a projection of 10.

(T) Commercial/Industrial Custom Incentive – During the 2013 recovery period, there were 4 participants in this program resulting in at the meter reductions of 1,965,492 kWh, winter kW of 148 and summer kW of 336.

(U) Renewable Energy – Costs associated with the Renewable Energy program are provided in Schedule CT-3. Further description of these activities can be found in Schedule CT-6.

(V) Conservation Demonstration and Development – Costs associated with the Conservation Demonstration and Development program are provided in Schedule CT-3. Further description of these activities can be found in Schedule CT-6.

Q. Should Gulf's recoverable energy conservation cost for the period be accepted as reasonable and prudent?
A. Yes.

Q. Ms. Todd, does this conclude your testimony?
A. Yes, it does.

GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony and Exhibit of
Jennifer L. Todd
Docket No. 140002-EG
Energy Conservation Cost Recovery Clause
August 27, 2014

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

A. My name is Jennifer L. Todd and my business address is One Energy Place, Pensacola, Florida 32520. I am employed by Gulf Power Company as the Market Analytics Supervisor.

Q. Mrs. Todd, please describe your educational background and business experience.

A. I received a Bachelor Degree in Management Information Systems from the University of West Florida in 1994. I began my career in the electric utility industry at Gulf Power in 1992 and have held various positions within the Company in Information Technology, Accounting, and Marketing. In my present position, I am responsible for Energy Conservation Cost Recovery filings, economic evaluations, market research, and other marketing services activities.

Q. Mrs. Todd, 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 calculation of recoverable conservation costs in this filing. Specifically, I will address projections for approved programs during the January 2015 through December 2015 recovery period and the anticipated results of those programs during the current recovery period, January 2014 through December 2014 (7 months actual, 5 months estimated).

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

A. Yes. My exhibit consists of 6 schedules, each of which was prepared under my direction, supervision, or review.

Counsel: We ask that Mrs. Todd's exhibit consisting of six schedules be marked as Exhibit No. ____(JLT-2).

Q. Would you summarize for this Commission the deviations resulting from the actual costs for January 2014 through July 2014 of the current recovery period?

A. Projected expenses for the first seven months of the current period were $11,667,498 compared to actual expenses of $9,554,138 for a difference of $2,113,360 or 18% 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.

Q. Did you project expenses for the period August 2014 through December 2014?

A. Yes. A detailed summary of those projections can be found in my Schedule C-3.

Q. How do the estimated actual expenses compare to projected expenses included in the 2014 Projection filing for the period August – December 2014?

A. Estimated actual expenses for the period August – December 2014 of $9,533,251 are 30% higher than projected expenses for that same period of $7,319,818.

Q. Have you provided a description of the program results achieved during the period, January 2014 through July 2014?

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

Q. Would you summarize the conservation program cost projections for the January 2015 through December 2015 recovery period?

A. Yes. Program costs for the projection period are estimated to be $23,592,756. These costs are broken down as follows: depreciation, return on investment and property taxes, $2,298,987; payroll/benefits, $6,083,173; materials/expenses, $6,978,849; advertising, $1,010,000; and incentives, $7,221,747. More detail concerning these projections is contained in my Schedule C-2.

Q. What is the basis for Gulf's conservation program cost projections for the January 2015 through December 2015 recovery period?

A. These projections are based on program cost estimates associated with Gulf's existing Demand-Side Management (DSM) Plan which was approved on February 11, 2011 in Order No. PSC-11-0114-PAA-EG.

Q. Will modifications be requested to the Company's existing DSM Plan that could change the projected expenditures for 2015?

A. Yes. Gulf is currently before this Commission in Docket No. 130202-EI seeking approval of the Company's proposed DSM goals for the period 2015-2024. Once the Commission establishes Gulf's DSM goals for the applicable period, Gulf will file an updated DSM Plan as required by Rule 25-17.0021(4), Florida Administrative Code.

Q. Will Gulf's updated DSM Plan be approved before or during 2015?

A. While the schedule for approval of Gulf's updated DSM Plan has not been established, it is expected that it will be approved during 2015.

Q. Given that Gulf's updated DSM Plan will likely be approved during 2015, why are projected costs not based on estimates for the updated DSM Plan?

A. Until such time that Gulf's DSM goals and updated DSM Plan are approved, any projections about programs and expenditures under the new Plan would be speculative. Therefore, it is appropriate for Gulf to include expenditures for the Company's currently approved DSM Plan as a basis for setting ECCR factors for 2015.

Q. Would you describe the expected results for your programs during the January 2015 through December 2015 recovery period?
A. Program details, including expected results, for the period January 2015 through December 2015 can be found in my Schedule C-5.

Q. What is the proposed 2015 factor for Rate Schedule RS and what will be the charge for a 1,000 kWh monthly bill on Gulf Power's rate schedule RS?
A. The proposed Energy Conservation Cost Recovery factor for Rate Schedule RS is .250 cents per kWh which results in a charge of $2.50 on a 1,000 kWh monthly bill on Gulf Power's rate schedule RS.

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 2015 and continue through the last bill group for December 2015.

Q. Mrs. Todd, does this conclude your testimony?
A. Yes, it does.

GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Rebuttal Testimony of
Jennifer L. Todd
Docket No. 140002-EG
Energy Conservation Cost Recovery Clause
September 12, 2014

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

A. My name is Jennifer L. Todd, and my business address is One Energy Place, Pensacola, Florida 32520. I am employed by Gulf Power Company (Gulf Power, Gulf or the Company) as the Market Analytics Supervisor.

Q. Have you previously filed testimony in this proceeding?

A. Yes. I filed direct testimony in this proceeding on August 27, 2014.

Q. What is the purpose of your rebuttal testimony?

A. My testimony addresses proposals made by intervenor Witnesses Steve W. Chriss and Kenneth E. Baker on behalf of Wal-Mart Stores East, LP and Sam's East, Inc. and Witness Jeffry Pollock on behalf of The Florida Industrial Power Users Group (the "Intervenor Witnesses").

Q. What is your general understanding of the proposals being made by the Intervenor Witnesses?

A. In general terms, the Intervenor Witnesses propose that the Florida Public Service Commission (Commission) allow some commercial and industrial customers to opt-out of participating in utility-sponsored energy efficiency programs and avoid paying Energy Conservation Cost Recovery (ECCR) charges associated with such programs.

Q. Do the Intervenor Witnesses contend that qualifying commercial and industrial customers should be exempted from paying all ECCR charges?

A. No. While they label them differently, the Intervenor Witnesses all propose separating expenses associated with Demand-Side Management (DSM) programs into two categories: demand response related program expenses and energy efficiency related program expenses. They contend that demand response programs are designed to reduce peak demand and, as such, are beneficial for all customers. For this reason, the Intervenor Witnesses propose that expenses associated with demand response programs should continue to be funded by all customers through the ECCR clause. In contrast, the Intervenor Witnesses take the position that energy efficiency programs do not have the same benefit for all customers because the primary objective of these programs is to reduce overall energy consumption. For this reason, they propose that qualifying commercial and industrial customers should be permitted to opt out of participating in, and thus paying for, energy efficiency programs.

Q. Do you have any general observations about the distinction the Intervenor Witnesses attempt to draw between demand response program expenses and energy efficiency program expenses?

A. Yes. I believe they have drawn an inaccurate distinction. Virtually all of Gulf's DSM programs have both energy and demand savings associated with the measures. The Intervenor Witnesses correctly recognize the benefits of implementing demand response programs but fail to recognize that cost-effective (i.e., RIM-passing) energy efficiency programs also provide benefits that exceed costs to participating and non-participating customers alike.

Q. Should the opt-out methodology proposed by the intervenors be approved by the Commission?

A. No.

Q. Why should the Commission reject the opt-out proposals made by the Intervenor Witnesses?

A. There are at least three reasons why the Commission should reject the proposals made by the Intervenor Witnesses. First, cost-effective DSM programs (again, those that are RIM-passing) benefit all customers; therefore, all customers should share in the costs of such programs. Second, administering an opt-out provision as described by the Intervenor Witnesses would be burdensome and would create additional costs and complexities. Third, allowing customers to opt out of participation in Gulf's DSM programs will impact Gulf's ability to achieve DSM goals established by this Commission.

Q. Please elaborate on what you mean when you say that cost-effective DSM programs benefit all customers.

A. Gulf agrees with Witness Pollock's observation that subsidization between customers or groups of customers is generally unfair and should be avoided or minimized where possible. Charges rendered through the ECCR clause are no exception. Witness Pollock, along with the other intervenor witnesses, argues that an opt-out for a sub-set of customers is the appropriate method for ensuring fairness. Gulf submits that establishing appropriate DSM goals, on which ECCR charges are based, is a more appropriate method because it addresses this fairness issue for *all* customers. That is precisely why Gulf has proposed DSM goals in the ongoing DSM Goals Docket (Docket No. 130202-EG) which are based upon the Rate Impact Measure (RIM) cost-effectiveness test. If this Commission approves Gulf's RIM-based goal proposal, there is no need for the Commission to consider any form of opt-out proposal.

Q. How does RIM-based DSM benefit all customers and render consideration of an opt-out provision unnecessary?

A. Costs associated with offering DSM programs are borne by all of Gulf's customers, participants and non-participants alike. Customers participating in cost-effective DSM programs deliver energy and demand savings benefits in the form of avoided cost savings. When these energy and demand saving benefits are greater than the program costs, all customers benefit from lower utility costs. Lower utility costs, in turn, result in downward rate pressure over time. The RIM test is often referred to as the "no losers" test because it accounts for impacts on both participating and non-participating customers. Cost-effective DSM goals and associated programs obviate the need for a complex and administratively burdensome opt-out provision that benefits a sub-set of Gulf's customers. The customers represented by the Intervenor Witnesses, as well as all other customers, enjoy the benefits of downward rate pressure and should, therefore, share in the associated costs. The Commission recognized this shared cost/benefit relationship in Order No. 9974 dated April 24, 1981, wherein the Commission considered a similar opt-out proposal put forth by the Florida Industrial Power Users Group. The Commission rejected the proposal noting as follows: "Because all customers will enjoy the benefits of such cost avoidancy we direct that the authorized costs be recovered from all customers..." Order at p. 162.

Q. You mentioned earlier than an opt-out provision would be complex and costly. Please explain.

A. While the specific mechanics of implementing the opt-out provision suggested by the Intervenor Witnesses differ, one thing is certain—administering any opt-out provision will be both complex and costly. The Intervenor Witnesses suggest that an opt-out provision be offered to qualifying customers on a customer-by-customer basis. This approach would add a significant number of required activities to the ECCR true-up, audit and projection filing processes and would also introduce a new set of enrollment and billing processes. Additionally, as discussed later in my testimony, capturing energy and demand savings associated with customer-specific projects would also impact the entire Florida Energy Efficiency Conservation Act (FEECA) process from goal setting to annual reporting. All of these new tasks and processes will add administrative burdens and costs to multiple processes performed by Gulf across multiple proceedings. New processes that are necessary or increase value are not bad in and of themselves; however, as discussed previously, with RIM-passing goals and programs, these added complexities are simply unwarranted.

Q. Ms. Todd, you stated that an opt-out provision for non-residential customers would impact Gulf's ability to meet DSM goals. Would you please first describe the process for setting DSM goals in Florida?

A. The process, as outlined in the FEECA statute, for developing DSM goals in Florida occurs every five years. It is a very rigorous and methodical process. It begins with assessing the full technical potential of energy efficiency in the utility's service area. Technical potential is determined by identifying technically feasible energy efficiency measures for residential, commercial and industrial customer classes. Economic feasibility is then determined by applying Commission-approved cost-effectiveness tests to each measure in the technical potential. Measures that are not cost-effective are screened out. Finally, customer adoption is projected in order to determine the amount of DSM that is reasonably achievable for Gulf. The Commission ultimately establishes goals for Gulf and the other FEECA utilities based on the outputs of this process. A DSM Plan containing programs designed to meet the established goals is subsequently developed and approved. The costs associated with the programs in Gulf's DSM Plan are recovered in the ECCR charges.

Q. Are specific customers' energy efficiency plans taken into account when developing goals?

A. No. It would not be feasible to do so.

Q. How would an opt-out provision for non-residential customers impact Gulf's ability to meet its DSM goals?

A. As I mentioned, DSM goals are set every five years based on projections of full achievable potential, including achievable potential for commercial and industrial measures. This process could not feasibly predict which customers may, during that five year period, choose to opt-out of participating in Gulf's DSM programs. In the absence of any feasible way to reduce achievable potential for prospective opt-outs, goals would presumably be set based on the full achievable potential of DSM in Gulf's service area. While goals would be based on projections of full achievable potential, Gulf's ability to achieve those goals would be reduced by the aggregate of all customers who choose to opt-out.

Q. Witness Pollock suggests that energy savings of an opt-out customer could be counted by Gulf toward its goal achievement. Does this alleviate your concern?

A. No. While it may seem that this is a solution, this suggestion actually introduces a new set of challenges.

Q. Can you please elaborate?

A. Yes. The energy and demand savings reported by Gulf are associated with programs and measures approved by the Commission. Each measure is assigned a deemed savings value on a per participant basis. These savings are determined through a variety of means including program experience, third party subject matter experts and measurement and verification and are calculated based on program participation.

Managing reported savings from a plethora of opt-out customers would introduce another layer of complexity to this process. In addition to Gulf first obtaining savings information from each customer (which could be a difficult process alone), once obtained, the information would then have to be verified to ensure it is measurable, consistent with other opt-out customers, non-duplicative, etc. Furthermore, Gulf's ability to meet a portion of its DSM goal would be dependent on opt-out customers from which savings may or may not materialize. The integrity of the FEECA reporting process would be jeopardized given the multitude of sources from which data would be obtained.

Q. What is the appropriate ECCR rate design in light of the Intervenor Witnesses' proposals?

A. As noted previously, Gulf does not believe that an opt-out provision is necessary or appropriate and therefore does not believe any changes to Gulf's proposed ECCR factors are warranted.

Q. Can you summarize your rebuttal testimony?

A. Yes. My testimony outlines the issues associated with an opt-out provision as recommended by the Intervenor Witnesses in this docket. An opt-out provision is complex, costly and would impact Gulf's ability to meet Commission-established DSM goals. Most importantly, this additional complexity is not necessary if this Commission approves cost-effective RIM-based DSM goals.

Q. Ms. Todd, does this conclude your testimony?

A. Yes, it does.

DUKE ENERGY FLORIDA

DOCKET NO. 140002-EG

Energy Conservation and Cost Recovery Final True-up for the Period January through December 2013

DIRECT TESTIMONY OF HELENA (LEE) GUTHRIE

MAY 2, 2014

Q. State your name and business address.

A. My name is Lee Guthrie. My business address is 299 First Avenue North, St. Petersburg, FL 33701.

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

A. I am employed by Duke Energy Florida, Inc. (Duke Energy Florida, DEF, or the Company), as Senior Manager of Florida Regulatory Strategy in the Customer Planning and Analytics department.

Q. What are your current duties and responsibilities at Duke Energy?

A. My responsibilities include the regulatory planning, support and compliance of the Company's Demand-Side Management (DSM) programs. This includes support for development, implementation and training, budgeting, and accounting functions related to these programs. By DSM, I mean direct load control (DLC) and energy efficiency programs or dispatchable (demand response) and non-dispatchable programs.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to compare DEF'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 2013 through December 2013.

Q. For what programs does Duke Energy Florida seek recovery?

A. Duke Energy Florida seeks recovery through the ECCR clause 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). Notably, DEF seeks recovery of costs for conservation programs approved by the Commission on August 16, 2011 (see Order No. PSC-11-0347-PAA-EG, modifying and approving DEF's DSM Programs). In Order No. PSC-11-0347-PAA-EG, the FPSC modified DEF's DSM Plan to consist of those existing programs in effect as of the date of the Order. Therefore, DEF seeks recovery for actual conservation program costs and program administrative costs for its DSM Programs approved as follows:

- Home Energy Check
- Home Energy Improvement
- Residential New Construction
- Neighborhood Energy Saver
- 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
- Solar Water Heating with Energy Management Pilot
- Solar Water Heating Low Income Residential Pilot
- Residential Solar Photovoltaic Pilot
- Commercial Solar Photovoltaic Pilot
- Photovoltaic for Schools Pilot
- Research and Demonstration Pilot
- Technology Development
- Qualifying Facility

Q. Do you have any exhibits to your testimony?

A. Yes, Exhibit No. __ (HTG-1T) entitled, "Duke Energy Florida Energy Conservation Adjusted Net True-Up for the Period January 2013 through December 2013." There are five (5) schedules to this exhibit.

Q. Will you please explain your exhibit?

A. Yes. Exhibit No. __ (HTG-1T) presents Schedules CT-1 through CT-5. Schedules CT-1 to CT-4 set out the actual costs incurred for all programs during the period from January 2013 through December 2013. 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 2013.

Q. Would you please discuss Schedule CT-1?

A. Yes. Schedule CT-1 shows that Duke Energy Florida's actual net ECCR true-up for the twelve months ending December 31, 2013 was an over-recovery of $1,379,080, including principal and interest. This amount is $3,411,350 less than the previous estimate included in the Company's September 2013, filing.

Q. Can you please explain the major drivers of the variance?

A. Yes. The majority of the variance was the result of the reclassification of costs within the Residential Load Management Program. The $4.9 million variance in the Residential Load Management Program's expenses is due to the change in DEF's switch replacement strategy for the residential load control program. Due to this change, an accounting adjustment was made in December 2013 to transfer $9.1 million in costs from capital to expense which was partially offset by lower spending on the project for the remainder of the year resulting in a net variance of $4.9 million. The shift in strategy for the load control project was primarily due to technological changes over the past few years that may provide alternative approaches to the load control load switch communications between the customer and DEF that were not previously available. Additionally, DEF now has access to replacement parts for the legacy control devices which will afford DEF more time to evaluate these new technologies. The impact of these changes is reflected in line 17 on Schedule CT-2, page 2 of 4.

In the Home Energy Improvement Program, downward economic trends along with statewide increases in delinquent mortgages created persistent negative impact on program participation in the existing home market resulting in a variance of $455,051 from the projection.

The $776,916 variance in the Photovoltaic (PV) for Schools Program was due to unexpected delays late in the contract negotiations with the Florida Solar Energy Center which took away time from the construction window to install the PV systems. Additionally, once DEF had a contract in place with the Florida Solar Energy Center, their contactor had delays in securing permits from some of the County School Boards. At this point, the Company is confident that all participating schools will be completed in the second quarter of 2014 at which time the remaining payments to schools will be made.

Q. What does Schedule CT-2 show?

A. The four pages of Schedule CT-2 provide an annual summary of conservation program costs as well as itemized conservation program costs for the period January 2013 through December 2013 detailing actual, estimated and variance calculations. These costs are directly attributable to DEF's Commission approved programs.

Q. Would you please discuss Schedule CT-3?

A. Yes. Page 1 of Schedule CT-3 provides the actual conservation program costs by month for the period January 2013 through December 2013. Page 2 of Schedule CT-3 presents the program revenues by month and the calculations for the next true-up per month, including adjustments. Page 3 provides the monthly interest calculation. Pages 4 and 5 of Schedule CT-3 provide conservation account numbers for the 2013 calendar year.

Q. What is the purpose of Schedule CT-4?

A. The five pages of Schedule CT-4 report the monthly capital investment, depreciation, and return for DEF's program classifications.

Q. Would you please discuss Schedule CT-5?

A. Yes. Schedule CT-5 provides a brief summary report for each program that includes a program description, annual program expenditures, and program accomplishments for the 2013 calendar year.

Q. Please explain the source of data used to calculate the true-up amount.

A. The data used in calculating the actual true-up amounts was taken from DEF records unless otherwise indicated. These records are kept in the regular course of business in accordance with general accounting principles and practices and provisions of the Uniform System of Accounts as prescribed by the Commission. Pursuant to Rule 25-17.015(3), Florida Administrative Code, in Schedule CT-3, pages 4 and 5, DEF provides a list of all account numbers used for conservation cost recovery during the period January 2013 through December 2013.

Q. Does this conclude your direct testimony?

A. Yes.

DUKE ENERGY FLORIDA
DOCKET No. 140002-EG

DIRECT TESTIMONY OF

TIMOTHY J. DUFF
WITH RESPECT TO 2014 ACTUAL/ESTIMATED
AND 2015 PROJECTED COSTS

August 27, 2014

Q. Please state your name and business address.

A. My name is Timothy J. Duff. My business address is 550 South Tryon Street, Charlotte, North Carolina 28202.

Q. Have you previously filed Direct Testimony in this proceeding?

A. No, but on May 22, 2014, I adopted the direct testimony of Helena Guthrie, which was filed with the Florida Public Service Commission ("FPSC" or the "Commission") on behalf of Duke Energy Florida, Inc. ("DEF" or the "Company) on May 2, 2014.

Q. Please tell us your position with Duke Energy and describe your duties and responsibilities in that position.

A. I am the General Manager, Customer Regulatory Strategy and Analytics. Serving in this capacity, I am responsible for the development of strategies and policies related to energy efficiency and all other retail products and services. I also oversee the analytics functions associated with evaluating and tracking the performance of Duke Energy's retail products and services.

Q. Please summarize your educational background and employment experience.

A. I graduated from Michigan State University with a Bachelor of Arts in Political Economics and a Bachelor of Arts in Business Administration, and received a Master of Business Administration degree from the Stephen M. Ross School of Business at the University of Michigan. I started my career with Ford Motor Company and worked in a variety of roles within the company's financial organization, including Operations Financial Analyst and Budget Rent-A-Car Account Controller. In 2001, I joined Cinergy where I was responsible for providing business and financial support to plant operating staff. I then joined Cinergy's Rates Department where I provided revenue requirement analytics and general rate support for the company's transfer of three generating plants. Additionally, I had experience in the Environmental Strategy Department and the Regulatory and Legislative Strategy Department. After Cinergy merged with Duke Energy Corporation ("Duke Energy") in 2006, I served as Managing Director, Federal Regulatory Policy. In this role, I was primarily responsible for developing and advocating Duke Energy's policy positions with the Federal Energy Regulatory Commission. I became General Manager, Energy Efficiency & Smart Grid Policy and Collaboration in 2010, was named General Manager, Retail Customer and Regulatory Strategy in 2011, and assumed my current position of General Manager, Customer Regulatory Strategy and Analytics in 2013.

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 ("DSM") Plan. 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 2015.

Q. Do you have any Exhibits to your testimony?

A. Yes, Exhibit No. _____ (TJD-1P) consists of Schedules C-1 through C-5, which support DEF's ECCR calculations for the 2014 actual/estimated period and the 2015 projection period.

Q. For what currently approved programs does DEF seek recovery?

A. DEF 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). [1]

- Home Energy Check
- Home Energy Improvement
- Residential New Construction
- Neighborhood Energy Saver
- Low-Income Weatherization Assistance
- Energy Management (Residential & Commercial)
- Business Energy Check
- Better Business
- Commercial/Industrial New Construction

[1] DEF is seeking recovery of the 2014 actual and estimated costs for the Solar Water Heating for Low Income Residential Customers, Solar Water Heating with Energy Management, Residential Solar Photovoltaic, Commercial Solar Photovoltaic, Photovoltaic for Schools projects, and the Research and Demonstration Project, but does not project any 2015 costs associated with those projects.

- Innovation Incentive
- Standby Generation
- Interruptible Service
- Curtailable Service
- Solar Water Heating For Low Income Residential Customers
- Solar Water Heating With Energy Management
- Residential Solar Photovoltaic
- Commercial Solar Photovoltaic
- Photovoltaic for Schools
- Research and Demonstration
- Technology Development
- Qualifying Facility

Q. What is included in your Exhibit?

A. Exhibit No. __ (TJD-1P) consists of Schedules C-1 through C-5. Schedule C-1 provides the calculation of the cost recovery factors for 2015 by rate class. Schedule C-2 provides annual and monthly conservation program cost estimates for the 2015 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 period of January through July 2014 (actual) and August through December 2014 (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 2014 actual/estimated period.

Schedule C-4 projects ECCR revenues during the 2015 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 DEF seeks cost recovery through the ECCR clause.

Q. Would you please summarize the results presented in your Exhibit?

A. Yes. Schedule C-2, Page 1 of 9, Line 37, shows total program costs, net of the prior period over-recovery, of $83,532,978 for the 2015 projection period. The following table presents DEF's proposed ECCR billing factors, by retail rate class and voltage level for calendar year 2015, as contained in Schedule C-1, Page 2 of 2.

2015 ECCR Billing Factors

Retail Rate Schedule	Secondary Voltage	Primary Voltage	Transmission Voltage
Residential (Cents/kWh)	.254	N/A	N/A
General-Service-Non-Demand (Cents/kWh)	.215	.213	.211
General Service 100% Load Factor (Cents/kWh)	.163	N/A	N/A
General Service Demand ($/kW)	.73	.72	.72
Curtailable ($/kW)	.54	.53	.53
Interruptible ($/kW)	.65	.64	.64
Standby Monthly ($/kW)	.072	.071	.071
Standby Daily ($/kW)	.034	.034	.033
Lighting (Cents/kWh)	.081	N/A	N/A

Q. Does this conclude your testimony?

A. Yes.

IN RE: ENERGY CONSERVATION COST RECOVERY CLAUSE

FPSC DOCKET NO. 140002-EG

REBUTTAL TESTIMONY OF
TIM DUFF

I. <u>INTRODUCTION AND QUALIFICATIONS</u>

Q. Please state your name and business address.

A. My name is Timothy J. Duff. My business address is 550 South Tryon Street, Charlotte, North Carolina 28202.

Q. Have you previously filed Direct Testimony in this proceeding?

A. Yes, on August 27, 2014, I filed actual/estimated and projection testimony on behalf of Duke Energy Florida, Inc. ("DEF" or "Duke Energy"). I also adopted the direct testimony of Helena Guthrie, which was filed with the Florida Public Service Commission ("FPSC" or the "Commission") on May 2, 2014.

Q. Have your job duties changed since you filed the August 27, 2014 testimony?

A. No, they have not.

II. <u>SUMMARY OF REBUTTAL TESTIMONY</u>

Q. Please summarize your rebuttal testimony.

A. The purpose of my rebuttal testimony is to address the Direct Testimony of Witness Jeffry Pollock on behalf of the Florida Industrial Power Users Group ("FIPUG") and

Witnesses Kenneth E. Baker and Steve W. Chriss on behalf of Walmart Stores East, LP and Sam's East, Inc. (collectively "Walmart").

My testimony covers three main points. First, this Commission must determine that it, and not the Florida legislature, is the appropriate body to implement an opt out like the one proposed by the intervener witnesses. Second, the relevant statute requires DEF to consider the impacts of the DSM programs to non-participants. Indeed, programs that pass the Rate Impact Measure ("RIM") test ensure that both participating and non-participating customers benefit from utility-sponsored conservation programs. Even if a customer does not participate in the utility-sponsored energy efficiency programs, there is no need to allow that customer to opt out if goals have been set assuming no harm to non-participants. Lastly, if the Commission finds that it can and should implement an opt out program, there are several issues with the policies as proposed by the intervener witnesses. As a basic premise, any opt out policy must be designed so that no one, including the utility and/or any customer who does not or cannot opt out, is harmed by any customer opting out of paying for their share of the particular charges.

Q. Are you sponsoring any exhibits with your testimony?

A. No.

III. REBUTTAL TESTIMONY

Legal and Policy Considerations

Q. Can you summarize the main points raised by the FIPUG and Walmart witnesses?

A. Yes. Mr. Pollock and Mr. Baker argue that the FPSC should implement an "opt out" by which certain customers would be exempt from paying Energy Conservation Cost Recovery ("ECCR") charges if they have implemented or plan to implement energy efficiency measures. Both Mr. Pollock and Mr. Baker argue that certain customers should be allowed to opt out of the charges for the energy efficiency ("EE") measures and programs. Mr. Chriss, on behalf of Walmart, sets forth a proposed ratemaking treatment to implement Mr. Baker's proposal that the ECCR charges rates be split into two components, one for energy program-related costs, and the other for demand program-related costs. The FIPUG and Walmart witnesses then explain the details of which customers would be eligible for the opt out and the general criteria for opting out.

Q. As a threshold matter, does the Florida Energy Efficiency and Conservation Act ("FEECA") reference an opt out?

A. No. While I am not a lawyer, I do have responsibility for implementing the FEECA statute for DEF, so I am familiar with its provisions. It is a detailed statute that sets forth a process for reviewing technical potential, setting demand side management goals, and implementing programs that are then subject to cost recovery in this on-going clause docket. The FEECA statute does not appear to speak to the FPSC's ability to develop and implement an opt out process for any customers. Therefore, an apparent first step is for the Commission to determine whether it, or the Florida legislature, is the appropriate body to consider an opt out provision.

Q. Is there any Commission precedent that addresses potential opt outs for certain customers?

A. Actually, the Commission has addressed similar issues in at least two prior proceedings. In Docket 810050-PU, one of the issues that was addressed was whether costs should be recovered from all customers or whether an attempt should be made to impose the costs on certain classes of customers. In that docket, Mr. Brubaker, a witness for the Florida Industrial Power Users Group, proposed that costs should be imposed on certain classes of customers. He advocated that those customers who availed themselves of energy conservation measures would receive the benefit of lower bills.. However, he also acknowledged that, to the extent energy conservation measures obviate the need for new plants, all customers would benefit. The Commission ruled that because all customers benefit from such cost avoidancy, the costs should be recovered from all customers. See Order 9974 in Docket No. 810050-EU.

Then the Commission reaffirmed its position on this issue in Docket 930759, Order No. PSC-93-1845-FOF-EG. There the Commission stated the following:

"In 1981, when the Conservation Cost Recovery (ECCR) clause was established, the Commission made two decisions regarding the allocation of conservation costs. The first was the determination that the costs associated with conservation benefits should be spread among all customers. The Commission rejected the notion that only the participants in conservation programs benefit from those programs. The second decision was to allocate costs to the rate classes on a per kilowatt hour, or energy, basis. See Order No.9974, issued in Docket 810050-EU." In Docket 930759, the Commission did modify its position on the allocation of costs on an energy basis, and provided for the allocation of costs associated with dispatchable programs on a demand basis, but upheld its previous position that costs should be spread to all classes of customers based on the capacity avoidance and fuel savings benefits that the conservation programs afford to all customers.

Q. Assuming that the FPSC is able to implement an opt out, is an opt out necessary under the current regulatory framework in Florida?

A. Not necessarily. Contrary to Mr. Pollock's and Mr. Baker's testimony that making customers pay for EE programs is "fundamentally unfair," because some customers already implement EE measures without utility incentives, the FPSC considers the impacts to non-participants in the analysis that it uses. Indeed, section 366.82(3)(b) provides that the Commission, when establishing DSM goals, "shall take into consideration . . . [t]he costs and benefits to the general body of ratepayers as a whole . . ." Thus, FEECA requires that the Commission consider impacts to non-participants when the Commission sets the goals and determines which programs to approve and include in the ECCR charges that all customers (participants and non-participants) must pay.

In fact, to the extent goals are set based on programs that are cost-effective under the Rate Impact Measure ("RIM") test, non-participants will benefit from all EE programs. In Order No. PSC-94-1313-FOF-EG, the Commission stated:

"All customers, including low-income customers, should benefit from RIM-based DSM programs. This is because RIM-based programs ensure that both participating and non-participating customers benefit from utility-sponsored conservation programs. Additional generating capacity is deferred and the rates paid by low-income customers are less than they otherwise would be."

The purpose of the RIM test is to eliminate measures that would raise electric rates for all customers. While program participants benefit from the bill savings and any electric rate reductions, as well as any incentives paid to them associated with the DSM program, non-participants are only impacted by the programs' effect on electric rates. Hence the RIM test is often called the "non-participants test." It is also known as the "no-losers test" because all customers are better off when a DSM program passes the RIM test, both participants and non-participants. The RIM test can be thought of as similar to the Pareto efficiency test in economics: a policy or project that makes everyone better off without making anyone worse off. It is for these reasons, among others, that DEF has proposed goals based on those measures that pass RIM, in Docket 130200-EI

Q. How do you respond to Mr. Pollock's and Mr. Baker's assertion that several other states have opt out policies?

A. While I acknowledge that other states have varying policies which allow for certain customers to opt out of charges for EE programs, I do not think that any particular policy is a "one-size-fits-all." Anyone evaluating an opt out in Florida should consider the FEECA statute and the other unique characteristics of the Florida regulatory framework when considering whether it should permit certain customers to opt out of paying for some of the ECCR charges.

<u>Specific Opt Out Recommendations</u>

Q. If the Commission decides that it can and that it should implement an opt out for certain customers, what are some general principles that must be adhered to when developing such a policy?

A. In essence, the Commission should ensure that no one, including the utility and/or any customer who does not or cannot opt out, is harmed by any customer opting out of paying for their share of the particular charges. Said differently, all parties should be held neutral, despite the fact that certain customers are allowed to opt out. To accomplish this overall objective, the opt out policy must be carefully designed to consider all potential ramifications. For example, if a customer opts out, the costs that are not collected from that customer cannot be socialized to the remaining customers. Nor is it fair to the utility, if the utility must expend that cost to offer a particular program, to not be able to recover the cost. So there must be a mechanism in the opt out process to hold everyone harmless for those costs. Likewise, the utility must be able to account for the lost energy savings from an opt out customer (either by adjusting the goal, as appropriate, to account for the lost potential participation by that opting-out customer or by counting the energy savings that the opting-out customer accomplishes). There will be an administrative cost to ensure that customers who opt out meet the eligibility standards to do so and, assuming the standards are met, that their bill is adjusted accordingly. This administrative cost should be borne by the customer opting out.

Q. Please summarize the recommendations from Mr. Pollock and the Walmart witnesses as to how an opt out should work in Florida.

A. Mr. Pollock recommends that the opt out is limited to non-residential customers with loads of at least 1 MW either at a single delivery point or through aggregation, if the customer can prove that the aggregated facilities are located in the utility's service area and are under common ownership and operation. Any customer meeting these requirements would then have to send the utility a letter in which the customer attests to having performed an energy audit and implemented, or have plans to implement, the cost-effective EE measures recommended in that audit. The letter must be accompanied by a certification of verifiable power and energy savings from a licensed engineer or certified energy manager. The term for opt out must be at least 3 years.

Mr. Baker recommends that the opt out is only available to non-residential customers with more than 15 million kWh of electric consumption per year, aggregated across all eligible accounts, meters, or service locations in each Company's service area. The account must not have taken advantage of a utility-sponsored EE program within the last 2 years, and the customer cannot enroll in any EE program for 2 years after the opt out period begins. The customer must certify that it either: (1) has implemented EE measures that have reduced usage by a percentage at least as great as the Company's EE reductions through its approved EE programs, expressed as a percentage of the Company's total retail kWh sales over the same time period; or (2) has performed an energy audit within the 3 year period before the opt out request and confirms that the customer has implemented or plans to implement it within 2 years. Mr. Chriss provides details on how the rate allocation (between EE and load management charges) would be carried out once a customer is permitted to opt out.

Q. Is the development of an opt out policy a simple task?

A. No, to the contrary, it is rather complex. To ensure that the overall opt out process is fair to all parties, there must be very clear and well-vetted guidelines and requirements before an opt-out policy can be implemented. It seems that a workshop or rulemaking proceeding may be a more fair and efficient way in which to explore the ways in which the opt-out proposal should be structured. However, I understand that this issue may be considered in the context of the ECCR, so I will set forth my initial concerns in this rebuttal testimony.

Q. What are your concerns regarding the proposals set forth by Mr. Pollock and the Walmart witnesses?

A. I would first note that this list is not exhaustive. Often when a jurisdiction embarks on a new policy such as the opt out policy at issue here, it finds that there are issues that arise once utilities begin implementing it. New circumstances may arise that bring into question how a particular situation should be handled so as to be fair to all parties. However, based on the information contained in the Intervener testimony, I have identified certain issues. First, I take issue with Mr. Pollock's and Mr. Baker's proposals concerning opt out eligibility. I take issue with Mr. Pollock's suggested eligibility threshold of 1 MW of load either at a single delivery point or through aggregation of facilities. As he is proposing an opt-out of only energy efficiency programs, an energy threshold measured in kWh's would be a more appropriate measure to determine eligibility. Additionally, I take issue with Mr. Pollock's and Mr. Baker's proposal that customers should be permitted to aggregate usage across multiple locations in a utility's service territory. Determining which accounts are eligible to be aggregated, and performing that manual calculation to determine whether the aggregated usage amounts meet the opt out usage criterion, is administratively burdensome and costly. Such a process could also raise questions as to how the utility can confirm whether separate accounts are actually owned or controlled by the same customer, so as to allow the separate accounts to be aggregated. Finally, there is inherent lack of logic in allowing accounts not undertaking energy efficiency to be eligible simply because an account or accounts in other locations but owned by the same parent Company have undertaken energy efficiency. A commercial or industrial customer's eligibility based on usage should be limited to individual accounts, which is how DEF's customer service system already tracks usage and sends bills. This is the simplest and fairest way to administratively process opt out requests.

My next concern is that there are administrative costs associated with determining and verifying eligibility for customers who seek an opt out and then on an ongoing basis auditing these accounts to ensure that they continue to qualify for the opt out. Neither Mr. Pollock nor Mr. Baker propose any recommendations to address how DEF or the other customers who must continue to pay the ECCR charges would be neutral if DEF had to operate an opt out program for certain customers. Obviously costs incurred to administer the opt-out program would need to either be tracked and charged directly to the customer, or more likely the utility would need to develop an opt-out rate to socialize the administrative cost across all opt-out customers. This represents another example of the complexities that have not been fully considered by Mr. Pollack and Mr. Baker that will have to be worked through in the implementation of an opt out program.

Third, I am concerned that Mr. Baker's recommendation does not include verification of the installed energy efficiency programs. Mr. Pollock includes such a certification in his proposal, and I agree that any opt out policy should have a certification process, as simply having a plan to become more efficient is not consistent with the requirement of the utilities under FEECA.

I am also concerned that there is no goal adjustment to account for the opting out customers and their potential contribution to the overall goal DEF is expected to achieve in the next 5 year period. While Mr. Pollock implies that the certification of installed energy efficiency ("EE") measures, and verification of achieved savings, would increase overall EE savings in Florida, it is not clear that he is proposing that DEF be allowed to count the EE savings from opt out customers toward its goal. If DEF is allowed to count the EE savings towards meeting its goals, then DEF's concerns would be addressed. I would note that Mr. Baker includes no consideration for adjusting DEF's goals or allowing DEF to count EE savings achieved by opt out customers.

There should be a minimum opt out period in which customers who opt out cannot then opt in again. This is to limit the administrative burden, and it also helps prevent customers from "gaming" the system. Mr. Pollock's suggested three year term is reasonable, but it should also be paired with Mr. Baker's recommendation that the opting out customer must not have received a utility rebate for an EE measure for the 2 year period before the opt out.

Finally, there should be further consideration (perhaps in a future workshop or similar setting) as to how much energy efficiency an opting out customer will be expected to implement or achieve. Obviously there is a spectrum of potential energy efficiency measures that can be implemented by a customer (everything from changing out a single light bulb to implementing every one of the measures technically possible for a particular customer). The standard by which the opt out customer will be evaluated should be further developed.

Q. Does this conclude your testimony?

A. Yes.

TAMPA ELECTRIC COMPANY
DOCKET NO. 140002-EG
FILED: 08/27/2014

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

MARK R. ROCHE

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

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

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

A. I graduated from Thomas Edison State College in 1994 with a Bachelor of Science degree in Nuclear Engineering Technology and from Colorado State University in 2009 with a Master's degree in Business Administration. My work experience includes twelve years with the US Navy in nuclear operations as well as sixteen years of electric utility experience. My utility work has included various positions in Marketing and Sales, Customer Service, Distributed Resources, Load Management, Power Quality, Distribution Control Center operations, Meter Department, Meter Field Operations, Service Delivery, Revenue Assurance, Commercial and Industrial Energy Management Services, and Demand Side Management ("DSM") Planning and Forecasting. In my current position I am responsible for the company's Energy Conservation Cost Recovery ("ECCR") Clause and Storm Hardening.

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 2013, the actual/projected period January to December 2014, and the projected period January through December 2015. The projected 2015 ECCR factors have been calculated based on the current approved allocation methodology. 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 2015. 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 2015.

Q. Do you wish to adopt and support Howard Bryant's Exhibit HTB-1, entitled Schedules Supporting Conservation Cost Recovery Factor, Actual, for the period January 2013 – December 2013, which was filed in this docket on May 2, 2014?

A. Yes, I do. Mr. Bryant has retired from Tampa Electric and I am assuming his role as Tampa Electric's witness in energy conservation related matters.

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

A. Yes. Exhibit No. ___ (MRR-1) was prepared under my direction and supervision. This document includes Schedules C-1 through C-5 and associated data which support the development of the conservation cost recovery factors for January through December 2015 using the current 12 Coincident Peak ("CP") and 1/13 Average Demand ("AD") Factor allocation methodology.

Q. Please describe the conservation program costs projected by Tampa Electric during the period January through December 2013.

A. For the period January through December 2013, Tampa Electric projected conservation program costs to be $51,845,089. The Commission authorized collections to recover these expenses in Docket No. 120002-EG, Order No. PSC-12-0611-FOF-EG, issued November 15, 2012.

Q. For the period January through December 2013, what were Tampa Electric's conservation costs and what was recovered through the ECCR clause?

A. For the period January through December 2013, Tampa Electric incurred actual net conservation costs of $47,502,652 plus a beginning true-up over-recovery of $3,444,245 for a total of $44,058,407. The amount collected in the ECCR clause was $49,532,245.

Q. What was the true-up amount?

A. The true-up amount for the period January through December 2013 was an over-recovery of $5,476,721, including interest. These calculations are detailed in Exhibit No. ___ (HTB-1), Conservation Cost Recovery True Up, Pages 1 through 11, filed May 2, 2014.

Q. Please describe the conservation program costs projected to be incurred by Tampa Electric during the period January through December 2014?

A. The actual costs incurred by Tampa Electric through July 2014 and projected for August through December 2014 are $48,778,800. For the period, Tampa Electric anticipates an over-recovery in the ECCR Clause of $5,228,882 which includes the 2013 true-up and interest. A summary of these costs and estimates are fully detailed in Exhibit No. ___ (MRR-1), Conservation Costs Projected, pages 18 through 24.

Q. Has Tampa Electric proposed any new or modified DSM Programs for ECCR cost recovery for the period January through December 2015?

A. Yes. Tampa Electric has proposed DSM goals in Docket No. 130201-EI and the goals amounts have yet to be approved. Once the Commission approves the company's DSM goals, the actual DSM plan the company will develop to meet those goals may require new or modified programs to support the goals amounts set, however at this time there are no new or modified DSM programs.

Q. Please summarize the proposed conservation costs for the period January through December 2015 and the annualized recovery factors based on a 12 CP and 1/13 AD basis applicable for the period January through December 2015?

A. Tampa Electric has estimated that the total conservation costs (less program revenues) during the period will be $46,224,522 plus true-up. Including true-up estimates, the January through December 2015 cost recovery factors allocated on a 12 CP and 1/13 AD basis for firm retail rate classes are as follows:

Rate Schedule	**Cost Recovery Factors (cents per kWh)**
RS	0.247
GS and TS	0.230
GSD Optional – Secondary	0.200
GSD Optional – Primary	0.198
GSD Optional – Subtransmission	0.196
LS1	0.101

Rate Schedule	**Cost Recovery Factors (dollars per kW)**
GSD – Secondary	0.85
GSD – Primary	0.85
GSD – Subtransmission	0.84
SBF – Secondary	0.85

SBF – Primary	0.85
SBF – Subtransmission	0.84
IS - Secondary	0.66
IS - Primary	0.65
IS - Subtransmission	0.65

Exhibit No. ___ (MRR-1), Conservation Costs Projected, pages 13 through 17 contain the Commission prescribed forms which detail these estimates.

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 contracted credit value ("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 2015 period?

A. For the January through December 2015 period, the CCV will be $8.14 per kW. If the 2015 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. ___ (MRR-1), Conservation Costs Projected, beginning on page 60 through 64.

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.

Q. What are the appropriate Price Responsive Load Management rates ("RSVP-1") for customers who elect to take this service during the January through December 2015?

A. The appropriate RSVP-1 rates during the January through December 2015 period for Tampa Electric's Price Responsive Load Management program are as follows:

Rate Tier	**(Cents per kWh)**
P4	31.885
P3	7.404
P2	(0.709)
P1	(2.429)

Page 65 contains the projected RSVP-1 rates for 2015.

Q. Does this conclude your testimony?

A. Yes it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED REBUTTAL TESTIMONY

OF

MARK R. ROCHE

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

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

Q. Are you the same Mark R. Roche who submitted prepared direct testimony in this proceeding?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to address the recommendations made by Mr. Jeffry Pollock, testifying on behalf of the Florida Industrial Power Users Group ("FIPUG") and Mr. Kenneth E. Baker and Mr. Steve W. Chriss, testifying on behalf of Wal-Mart Stores East, LP and Sam’s East, which I refer to collectively as the “intervenor witnesses”.

Q. What is the subject of your rebuttal testimony?

A. I will discuss the rate impact and technical implications of the intervenor witnesses' proposals on Tampa Electric and its customers.

Q. Do you believe the approach currently used by Tampa Electric and approved by the Florida Public Service Commission (“Commission”) to allocate conservation costs is fair to all customers?

A. Yes. The current allocation method is fair to all Tampa Electric customers and benefits all customers equally without imposing a subsidy from one class of customers to another. Additionally, the current method is transparent and has accountability to not only the Commission but also to all customers.

Q. Does the intervenor witnesses’ testimony provide accountability to the Commission and to all Tampa Electric’s customers in what they are proposing?

A. No. Tampa Electric’s DSM programs are measurable and verifiable. The company only offers programs that meet the Commission's cost effectiveness test. Once approved, the way the company implements the programs is subject to significant reporting requirements and periodic audits by the staff. The company cannot change a program approved by the Commission without the Commission's approval. All of these measures provide a level of accountability that enhances the value and legitimacy of the programs.

Q. Have the intervenors proposed opt-out plans with the kind of protections and accountability measure described above?

A. No. In fact, in some respects, the intervenor witnesses have proposed that the Commission adopt an opt-out concept, but have not proposed any opt-out program with enough detail or specificity to justify Commission approval. The ideas for opting out advanced by the intervenors do not include a clear description of the opt-out program or necessary details showing how the proposal would be implemented, operated, measured, verified, governed, or how they would actually work.

Q. If an opt-out provision were approved by the Commission, would the opt-out by some select customers adversely affect the rate recovery from all other customers?

A. Yes. An opt-out provision would adversely affect customers who cannot opt-out by shifting costs to them that would not be recovered from the customers who are opting out. An opt-out provision as proposed by the intervenor witnesses would exempt certain customers from sharing in the costs of investments in energy efficiency which benefit all customers. Since the current DSM goals are proposed to be based upon the Rate Impact Measure ("RIM") cost effectiveness test, this ensures that the programs implemented by Tampa Electric increase the overall energy efficiency in its service area and lowers electric rates for all customers. Allowing an opt-out provision would unfairly shift the costs for energy efficiency investments that currently benefit all customers to just those customers not participating in the opt-out provision, while allowing the benefits to apply to all customers including those that opt-out.

Q. Can you quantify the expected financial burden Tampa Electric's customers would incur if larger non-residential customers are permitted to opt-out of energy conservation measures through the ECCR clause?

A. Yes. Tampa Electric was asked to provide similar information in response to discovery it received from the Office of Public Counsel ("OPC") in this docket. Specifically, Tampa Electric was asked to project the impact on residential customers on both a total revenue requirement basis (i.e., costs that will be shifted to the remaining customers who would be left to pay the ECCR charge), and on a per 1,000 kWh/month basis, under three separate hypothetical scenarios whereby the largest (by revenue in each tier) non-residential customers comprising 10 percent, 20 percent, and 30 percent of non-residential revenues would be eligible for and take advantage of such an option.

Q. Did you perform such an analysis for the OPC?

A. Yes.

Q. What were the results of your analysis?

A. The results showed that costs would be shifted to all other non-eligible and eligible non-participating customers. In each hypothetical scenario presented, dollars shifted from the qualifying opt-out customers to all other non-eligible and eligible non-participating customers regardless of rate class. The shift in dollars was between $1.6 and $5.1 million depending on the scenario. The residential customers would see the brunt of this cost shift which shifted between $0.7 and $2.4 million to them.

Q. What did the analysis show as the ECCR charge impact on a 1,000 kWh usage residential customer?

A. On a 1,000 kWh usage basis, the residential ECCR charge would increase from a current projected amount for 2015 of $2.47, to between $2.56 and $2.74 which equates to a 3.6 percent and 10.9 percent increase depending on the scenario.

Q. Did the analysis show an impact to all other rate classes?

A. Yes. The opt-out provision analysis does show that it will shift costs to all other non-eligible rate classes. It also showed that costs would shift onto customers who do not participate or qualify for an opt-out provision but are within an eligible rate class.

Q. Do you have your analysis that was provided to OPC?

A. Yes. I have attached Exhibit MRR-2 in tabular form which shows the impact of each scenario on the cost recovery factors for the 2015 January through December cost recovery period. I have also included adjusting for 1,000 kWh usage to show the financial impact to residential customers, and I compare these new values to the current projected values for 2015 shown in Exhibit MRR-1, schedule C-1, Page 1 of 1 which was filed on August 27, 2014.

Q. Do you believe the results of your analysis provide a fair and accurate projection of the potential economic impact of the intervenor witnesses' opt-out proposal on Tampa Electric's residential customers?

A. Yes. The analysis accurately shows that an opt-out provision would create subsidies by shifting costs from those that qualify to those that do not or cannot. If an opt-out provision is allowed, it will cause undue discrimination by shifting costs between customers.

Q. If the Commission chooses to set DSM goals using a cost effectiveness test other than RIM, would this make an opt-out provision more reasonable?

A. No. An opt-out provision will simply favor one group of customers over another by instituting subsidies regardless of what cost effective test is chosen. In fact, any cost-effectiveness test other than the RIM test will further exacerbate the subsidies already created by an opt-out provision. In that situation, a nonparticipating non-opt-out customer would incur two levels of subsidies, the first due to the opt-out provision, and the second from the use of a cost effectiveness test other than the RIM test. This potential problem can be avoided by rejecting the intervenor witnesses' opt-out proposal and maintaining the status quo. In doing so, the Commission will continue to discharge its statutory duty to minimize undue discrimination between rate classes.

Q. Do you agree with Mr. Pollock's statement that utility funded energy efficiency programs are fundamentally unfair?

A. No. Tampa Electric only uses energy efficiency programs that are cost effective and approved by the Commission. The benefits of these programs accrue to all customers, including those that have chosen to participate and to those that have not. Mr. Pollock's testimony is internally inconsistent because first he states that shifting the costs of these cost effective programs to a group that is not participating is unfair, yet at the same time he fully supports allowing large energy and demand customers to be able to opt–out of paying for these cost effective programs, thus shifting the financial burden onto all other ineligible customers while the benefits produced by the programs are received by all customers.

Q. Do you agree with Mr. Pollock's statement that customers should only pay for the services they receive?

A. No. Mr. Pollock's statement misses the point that the Commission's approved conservation programs benefits all customers. The purpose of the ECCR clause is to recover the costs the utility incurs for actions that it takes to deliver cost-effective DSM programs which provide benefits to all customers. Mr. Pollock simply wants the opt-out customers to receive the benefits of conservation programs without paying for them. Applying Mr. Pollock's logic to his clients would suggest that Tampa Electric should only pay a load management, standby generator credit, demand response, or GSLM incentive when the participating customer is called upon to shed load.

That, of course, is not how it works. Tampa Electric compensates these customers with incentives to be willing to shed load because their willingness to do so yields benefits to the company and its customers, including the benefit of delaying or not having to build a power plant.

Q. Do the intervenor witnesses properly recognize in their request how energy is factored into Tampa Electric's integrated resource planning ("IRP") process?

A. I did not see any recognition of that in their testimony. Their testimony is that large demand customers or demand response, GSLM, or load management customers do not benefit from energy efficiency programs and thus they should be permitted to opt-out from paying for them. This is not true. Energy efficiency programs clearly provide both energy savings and demand reduction. Energy savings and demand reduction are included in the IRP process. In the IRP process, the demand reduction component is used to determine whether to eliminate or defer the need for a new power plant. The energy savings component is used to influence the specific type of power plant to be built such as a peaking unit versus a base load unit. This fact seems to be lost in the intervenor witnesses' testimony. Regardless of their categorization of DSM programs, both types produce both energy and demand savings which clearly have a beneficial and financial impact on the future rates for all customers, including those for whom the intervenor witnesses are proposing to provide an opt-out provision.

Q. What are some of the concerns in Mr. Pollock's testimony?

A. Mr. Pollock states that that not all Tampa Electric customers are eligible for the company's conservation programs, when in fact, all customers are eligible to participate in one or more of the company's Commission approved DSM programs. Mr. Pollock also states that the conservation clause only benefits some rate payers, when in fact, Mr. Brubaker, a prior expert witness representing FIPUG, testified and acknowledged that to the extent conservation efforts succeed in obviating the need for expensive new plants, all customers will benefit[1].

Q. What are some of the concerns in Mr. Baker's and Mr. Chriss's testimony?

A. Mr. Baker's and Mr. Chriss's testimony fails to state the added transaction costs that this proposed opt-out provision would cause. Their collective testimony

[1] Order 9974, Docket No. 810050-PU, Issued April 24, 1981.

contradicts the Commission rules requiring any program savings to be measurable, monitorable, and verifiable. Mr. Baker states that the programs Wal-Mart implements are cost effective, yet his testimony does not explain the cost effective measurement test used by his company. Thus, if large customers were given an opt-out provision as he proposes, the manner of measuring cost effectiveness for any measures or programs that customers might implement would be at the sole discretion of that individual customer. This sole discretion does not provide assurance or accountability that such a measure or program will benefit all customers and not simply that customer. This further underscores that the proposed opt-out provision should be rejected.

Q. Please summarize your overall assessment of Mr. Pollock’s, Mr. Baker’s, and Mr. Chriss’s testimony and the proposed opt-out provision.

A. Mr. Pollock’s, Mr. Baker’s and Mr. Chriss’s testimony does not recognize the value to all customers of all the approved DSM programs that Tampa Electric currently offers by categorizing the programs as having either energy only or demand only impacts. By attempting to label certain program measures as energy or demand only when each measure has some level of demand savings and some level of energy savings indicates that what they are proposing is unreasonable and self-serving. Their collective testimony fails to specifically demonstrate any sound reason for changing the current cost recovery mechanism and allocation for all conservation programs, does not provide any details as to how their proposal would be implemented, and totally ignores the financial impacts to other non-participants. The Commission is statutorily required to determine whether such plans, the costs necessarily incurred in implementing such plans, and any effect on rates resulting from such implementation are in the public interest. For these many reasons, this proposed opt-out provision should be rejected.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

MS. TAN: And we have compiled a stipulated Comprehensive Exhibit List which includes those prefiled exhibits attached to the witnesses' testimony in this case. The list has been provided to the parties, to the Commissioners, and to the court reporter. And we ask that this be marked as the first hearing exhibit and that the other exhibits should be marked as set forth in the chart.

CHAIRMAN GRAHAM: Okay. So we're moving the Comprehensive Exhibit List and Exhibits 1 through 15 all into the record?

MS. TAN: That is correct. We would mark and move them.

CHAIRMAN GRAHAM: Is there any discussion on those exhibits? All right. We'll enter those into the record as well.

(Exhibits 1 through 15 marked for identification and admitted into the record.)

Okay. Are there any other matters to be addressed in this docket?

MS. TAN: There are none. Since the Commission has made a bench decision, post-hearing filings are not necessary. The final order for this docket will be issued on November 13th, 2014.

CHAIRMAN GRAHAM: Any other questions, concerns, last-minute thoughts of this docket? Seeing none, we will adjourn that docket.

(Proceeding adjourned at 9:40 a.m.)

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

I, LINDA BOLES, CRR, RPR, 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' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 29th day of October, 2014.

Linda Boles
____

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FPSC Official Hearings Reporter
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