

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 110004-GU
DETERMINATION OF CONSERVATION COSTS RECOVERY FACTOR

Direct Testimony of
JASON VAN HOFFMAN

On Behalf of
FLORIDA PUBLIC UTILITIES COMPANY

1 Q. Please state your name and business address.

2 A. My name is Jason Van Hoffman. My business address is 401 S. Dixie Highway,
3 West Palm Beach, Florida 33401.

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

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

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

8 A. To advise the Commission of the actual over/under recovery of the Conservation
9 costs for the period January 1, 2010 through December 31, 2010 as compared to
10 the amount previously reported for that period which was based on seven
11 months actual and five months estimated data.

12 Q. Please state the actual amount of over/under recovery of Conservation Program
13 costs for the gas division of Florida Public Utilities Company for January 1, 2010
through December 31, 2010.

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1 A. The Company over-recovered \$174,613 during that period. This amount is
2 substantiated on Schedule CT-3, page 2 of 3, Calculation of True-up and Interest
3 Provision.

4 Q. How does this amount compare with the estimated true-up amount which was
5 allowed by the Commission?

6 A. We had estimated that we would over-recover \$391,543 as of December 31,
7 2010.

8 Q. Have you prepared any exhibits at this time?

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

11 Q. Does this conclude your testimony?

12 A. Yes.

Docket No. 110004-GU

Exhibit _____(JVH-1)

Florida Public Utilities

CONSERVATION COST RECOVERY TRUE-UP

January 1, 2010 through December 31, 2010

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SCHEDULE CT-1
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CONSERVATION ADJUSTMENT TRUE-UP

FOR MONTHS January-10 THROUGH December-10

1.	ADJUSTED END OF PERIOD TOTAL NET TRUE-UP		
2.	FOR MONTHS January-10 THROUGH December-10		
3.	END OF PERIOD NET TRUE-UP		
4.	PRINCIPAL	<u>(173,216)</u>	
5.	INTEREST	<u>(1,414)</u>	<u>(174,630)</u>
6.	LESS PROJECTED TRUE-UP		
7.	November-05 HEARINGS		
8.	PRINCIPAL	<u>(390,045)</u>	
9.	INTEREST	<u>(1,498)</u>	<u>(391,543)</u>
10.	ADJUSTED END OF PERIOD TOTAL TRUE-UP		<u>216,913</u>

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SCHEDULE CT-2
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ANALYSIS OF ENERGY CONSERVATION PROGRAM COSTS
ACTUAL VS PROJECTED

	FOR MONTHS	January-10	THROUGH	December-10	
		<u>ACTUAL</u>		<u>PROJECTED</u>	<u>DIFFERENCE</u>
1.	Labor/Payroll	471,414		552,959	(81,545)
2.	Advertisement	693,604		501,784	191,820
3.	Legal	10,860		6,714	4,146
4.	Outside Services	25,514		15,096	10,418
5.	Vehicle	15,412		33,198	(17,786)
6.	Materials & Supplies	59,700		12,834	46,866
7.	Travel	25,491		2,892	22,599
8.	General & Administrative	50,060		813	49,247
9.	Incentives	729,315		691,232	38,083
10.	Other	3,354		56,545	(53,191)
11.	SUB-TOTAL	2,084,724		1,874,067	210,657
12.	PROGRAM REVENUES				
13.	TOTAL PROGRAM COSTS	2,084,724		1,874,067	210,657
14.	LESS: PRIOR PERIOD TRUE-UP	(448,291)		(448,291)	
15.	AMOUNTS INCLUDED IN RATE BASE				
16.	CONSERVATION ADJ REVENUE	(1,809,649)		(1,815,821)	6,172
17.	ROUNDING ADJUSTMENT				
18.	TRUE-UP BEFORE INTEREST	(173,216)		(390,045)	216,829
19.	ADD INTEREST PROVISION	(1,414)		(1,498)	84
20.	END OF PERIOD TRUE-UP	(174,630)		(391,543)	216,913

() REFLECTS OVERRECOVERY

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ACTUAL CONSERVATION PROGRAM COSTS PER PROGRAM

FOR MONTHS January-10 THROUGH December-10

PROGRAM NAME	50 LABOR/PAY	51 ADVERTISE.	52 LEGAL	53 OUT.SERV.	54 VEHICLE	55 MAT.&SUPP.	56 TRAVEL	57 G & A	58 INCENTIVES	59 OTHER	SUB TOTAL	PROGRAM REVENUES	TOTAL
1. Full House Residential New Construction Program	41,185	22,140			1,993	7,877	1,215	73	299,932	4	374,419		374,419
2. Residential Appliance Replacement Program	72,341	84,416		1,100	2,825	6,504	2,700	550	123,125	122	293,683		293,683
3. Conservation Education Program	10,558	45,409			973	213	155	1,723	615		59,646		59,646
4. Space Conditioning Program	12,342	938			262	63	789			15	14,409		14,409
5. Residential Conservation Service Program	1,326	27,591			159	2,272	364	416	4,210	3	36,341		36,341
6. Residential Appliance Retention Program	64,190	82,002			3,962	1,200	1,257		274,351	120	427,082		427,082
7. Dealer / Contractor													
10. Commercial Conservation Service Program	6,641	18,049		5,376	245	40	447	594		14	31,406		31,406
12													
13. Residential Service Reactivation Program		11,350						150	2,625		14,125		14,125
14. Common	262,831	401,709	10,860	19,038	4,993	41,531	18,564	46,554	24,457	3,076	833,613		833,613
TOTAL ALL PROGRAMS	471,414	693,604	10,860	25,514	15,412	59,700	25,491	50,060	729,315	3,354	2,084,724		2,084,724

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CONSERVATION COSTS PER PROGRAM--VARIANCE ACTUAL VS PROJECTED
VARIANCE ACTUAL VS PROJECTED

FOR MONTHS January-10 THROUGH December-10

PROGRAM NAME	LABOR/PAY	ADVERTISE.	LEGAL	OUT.SERV.	VEHICLE	MAT.&SUPP.	TRAVEL	G & A	INCENTIVES	OTHER	SUB TOTAL	PROGRAM REVENUES	TOTAL
1 Full House Residential New Construction Program	12,126	4,652		(370)	35	7,634	1,215	(270)	74,648	(11,165)	88,505		88,505
2 Residential Appliance Replacement Program	(4,763)	(12,175)			432	5,825	2,700	550	(8,235)	(7,133)	(22,799)		(22,799)
3 Conservation Education Program	5,857	508			973	(2,200)	155	1,723	615	(423)	7,208		7,208
4 Space Conditioning Program	(1,963)	938			(542)	63	789			15	(700)		(700)
5 Residential Conservation Service Program	157	8,963			159	1,716	64	16	4,210	(2,977)	12,308		12,308
6 Residential Appliance Retention Program	11,056	(32,943)			1,175	740	1,257		(59,107)	(7,383)	(85,205)		(85,205)
7 Dealer / Contractor													
10 Commercial Conservation Service Program	1,200	8,182		(3,350)	(1,040)	(554)	447	594		(1,391)	4,088		4,088
12 Residential Service Reactivation Program		7,452						150	1,495	(10)	9,087		9,087
14 Common	(105,215)	206,243	4,146	14,138	(18,978)	33,642	15,972	46,484	24,457	(22,724)	198,165		198,165
TOTAL ALL PROGRAMS	(81,545)	191,820	4,146	10,418	(17,786)	46,886	22,599	49,247	38,083	(53,191)	210,657		210,657

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ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
SUMMARY OF EXPENSES BY PROGRAM BY MONTH

FOR MONTHS January-10 THROUGH December-10

A. CONSERVATION EXPENSE BY PROGRAM		JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1.	Full House Residential New Construction Program	5,471	13,713	98,332	8,012	18,552	29,270	19,124	9,629	119,993	26,724	13,185	12,414	374,419
2.	Residential Appliance Replacement Program	21,775	16,749	18,680	29,212	34,472	27,791	21,147	21,683	25,988	21,249	27,931	27,006	293,683
3.	Conservation Education Program	2,171	1,650	7,425	11,581	2,590	9,665	6,953	1,991	9	3,836	7,137	4,638	59,646
4.	Space Conditioning Program	791	783	963	754	1,488	1,455	1,144	1,261	1,215	1,219	1,525	1,811	14,409
5.	Residential Conservation Service Program	1,348	500	4,269	7,917	1,654	1,095	2,436		1,144	3,520	8,790	3,668	36,341
6.	Residential Appliance Retention Program	36,399	28,246	37,700	49,232	43,220	34,131	40,095	31,345	38,786	19,321	37,055	31,552	427,082
7.	Dealer / Contractor													
10.	Commercial Conservation Service Program	5,490	488	646	252	556	1,929	2,892	720	2,176	1,455	6,037	8,765	31,406
12.														
13.	Residential Service Reactivation Program	20	350	3,636	235		647		875	150		5,880	2,332	14,125
14.	Common	38,936	33,560	49,358	37,199	45,771	36,548	56,359	49,508	53,539	58,562	144,138	230,135	833,613
15.														
16.														
17.														
18.														
19.														
20.														
21.	TOTAL ALL PROGRAMS	112,401	96,039	221,009	144,394	148,303	142,531	150,150	117,012	243,000	135,886	251,678	322,321	2,084,724
22.	LESS AMOUNT INCLUDED IN RATE BASE													
23.	RECOVERABLE CONSERVATION EXPENSES	112,401	96,039	221,009	144,394	148,303	142,531	150,150	117,012	243,000	135,886	251,678	322,321	2,084,724

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CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-10 THROUGH December-10

B. CONSERVATION REVENUES	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. RESIDENTIAL CONSERVATION													
2. CONSERVATION ADJ. REVENUES	(222,455)	(199,880)	(212,627)	(174,250)	(137,726)	(109,344)	(101,034)	(105,857)	(98,991)	(110,892)	(132,668)	(203,925)	(1,809,649)
3. TOTAL REVENUES	(222,455)	(199,880)	(212,627)	(174,250)	(137,726)	(109,344)	(101,034)	(105,857)	(98,991)	(110,892)	(132,668)	(203,925)	(1,809,649)
4. PRIOR PERIOD TRUE-UP ADJ. NOT APPLICABLE TO THIS PERIOD	(37,353)	(37,358)	(37,358)	(37,358)	(37,358)	(37,358)	(37,358)	(37,358)	(37,358)	(37,358)	(37,358)	(37,358)	(448,291)
5. CONSERVATION REVENUE APPLICABLE	(259,808)	(237,238)	(249,985)	(211,608)	(175,084)	(146,702)	(138,392)	(143,215)	(136,349)	(148,250)	(170,026)	(241,283)	(2,257,940)
6. CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 23)	112,401	96,039	221,009	144,394	148,303	142,531	150,150	117,012	243,000	135,886	251,678	322,321	2,084,724
7. TRUE-UP THIS PERIOD (LINE 5 - 6)	(147,407)	(141,199)	(28,976)	(67,214)	(26,781)	(4,171)	11,758	(26,203)	106,651	(12,364)	81,652	81,038	(173,216)
8. INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 10)	(84)	(108)	(117)	(125)	(162)	(190)	(165)	(140)	(112)	(88)	(74)	(49)	(1,414)
9. TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH	(448,291)	(558,429)	(662,378)	(654,113)	(684,094)	(673,679)	(640,682)	(591,731)	(580,716)	(436,819)	(411,913)	(292,977)	(448,291)
9A. DEFERRED TRUE-UP BEGINNING OF PERIOD													
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	37,353	37,358	37,358	37,358	37,358	37,358	37,358	37,358	37,358	37,358	37,358	37,358	448,291
11. TOTAL NET TRUE-UP (LINES 7+8+9+9A+10)	(558,429)	(662,378)	(654,113)	(684,094)	(673,679)	(640,682)	(591,731)	(580,716)	(436,819)	(411,913)	(292,977)	(174,630)	(174,630)

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 CALCULATION OF TRUE-UP AND INTEREST PROVISION
 FOR MONTHS January-10 THROUGH December-10

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C. INTEREST PROVISION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. BEGINNING TRUE-UP (LINE B-9)	(448,291)	(558,429)	(662,378)	(654,113)	(684,094)	(673,679)	(640,682)	(591,731)	(580,716)	(436,819)	(411,913)	(292,977)	(448,291)
2. ENDING TRUE-UP BEFORE INTEREST (LINES B7+B9+B9A+B10)	(558,345)	(662,270)	(653,996)	(683,969)	(673,517)	(640,492)	(591,566)	(580,576)	(436,707)	(411,825)	(292,903)	(174,581)	(173,216)
3. TOTAL BEG. AND ENDING TRUE-UP	(1,006,636)	(1,220,699)	(1,316,374)	(1,338,082)	(1,357,611)	(1,314,171)	(1,232,248)	(1,172,307)	(1,017,423)	(848,644)	(704,816)	(467,558)	(621,507)
4. AVERAGE TRUE-UP (LINE C-3 X 50%)	(503,318)	(610,350)	(658,187)	(669,041)	(678,806)	(657,086)	(616,124)	(586,154)	(508,712)	(424,322)	(352,408)	(233,779)	(310,754)
5. INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	0.20%	0.20%	0.21%	0.21%	0.23%	0.34%	0.35%	0.28%	0.28%	0.25%	0.25%	0.25%	
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	0.20%	0.21%	0.21%	0.23%	0.34%	0.35%	0.28%	0.28%	0.25%	0.25%	0.25%	0.25%	
7. TOTAL (LINE C-5 + C-6)	0.40%	0.41%	0.42%	0.44%	0.57%	0.69%	0.63%	0.56%	0.53%	0.50%	0.50%	0.50%	
8. AVG. INTEREST RATE (C-7 X 50%)	0.20%	0.21%	0.21%	0.22%	0.29%	0.35%	0.32%	0.28%	0.27%	0.25%	0.25%	0.25%	
9. MONTHLY AVERAGE INTEREST RATE	0.017%	0.017%	0.018%	0.018%	0.024%	0.029%	0.026%	0.023%	0.022%	0.021%	0.021%	0.021%	
10. INTEREST PROVISION (LINE C-4 X C-9)	(84)	(108)	(117)	(125)	(162)	(190)	(165)	(140)	(112)	(88)	(74)	(49)	(1,414)

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SCHEDULE CT-4
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SCHEDULE OF CAPITAL INVESTMENT, DEPRECIATION & RETURN

FOR MONTHS January-10 THROUGH December-10

PROGRAM NAME:

	BEGINNING OF PERIOD	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. INVESTMENT														
2. DEPRECIATION BASE														
3. DEPRECIATION EXPENSE														
4. CUMULATIVE INVESTMENT														
5. LESS ACCUMULATED DEPRECIATION														
6. NET INVESTMENT														
7. AVERAGE INVESTMENT														
8. RETURN ON AVERAGE INVESTMENT														
9. RETURN REQUIREMENTS														
10. TOTAL DEPRECIATION AND RETURN														NONE

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RECONCILIATION AND EXPLANATION OF
DIFFERENCES BETWEEN FILING AND PSC AUDIT

FOR MONTHS January-10 THROUGH December-10

AUDIT EXCEPTION: TO OUR KNOWLEDGE, NONE EXIST

COMPANY RESPONSE:

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1. Full House Residential New Construction Program
2. Residential Appliance Replacement Program
3. Residential Appliance Retention Program
4. Residential Service Reactivation Program
5. Residential Conservation Service Program
6. Commercial Conservation Service Program
7. Conservation Education Program
8. Space Conditioning Program

PROGRAM TITLE: Residential New Construction Program

PROGRAM DESCRIPTION: The Residential New Construction Program (formerly, Full House Residential New Construction Program) promotes the use of natural gas in single and multi-family residential new construction projects to developers, builders, and homebuyers. The program is designed to increase the overall energy efficiency in the new construction home market through the installation of efficient gas appliances. The programs incentives are used to overcome market barriers created by the split incentive between the builders who are purchasing the appliances and the homeowners who are benefiting from reduced utility costs.

PROGRAM ACCOMPLISHMENTS: For the reporting period January 1, 2010 through December 31, 2010, 506 incentives were paid.

PROGRAM FISCAL EXPENDITURES: The expenditures for the reporting period of January 1, 2010 through December 31, 2010 were \$374,419.

PROGRAM TITLE: Residential Appliance Replacement Program

PROGRAM DESCRIPTION: This program is designed to encourage the replacement of inefficient non-natural gas appliances with energy efficient natural gas appliances. The program offers financial incentives to residential customers to defray the additional costs associated with installing natural gas appliances

PROGRAM ACCOMPLISHMENTS: For the reporting period January 1, 2010 through December 31, 2010, 203 incentives were paid.

PROGRAM FISCAL EXPENDITURES: The expenditures for the reporting period of January 1, 2010 through December 31, 2010 were \$293,683.

PROGRAM PROGRESS SUMMARY: The FPSC approved this program on August 29, 2000. From the inception through the reporting period FPUC has retained 7,330 natural gas hot water heaters.

PROGRAM TITLE: Residential Appliance Retention Program

PROGRAM DESCRIPTION: The purpose of the Residential Appliance Retention Program is to encourage homeowners with existing natural gas appliances to retain natural gas appliances at time of replacement. The program was expanded during the reporting period to include additional appliances to include furnaces, tankless hot water heaters, ranges, and dryers. The programs incentives defray the cost of purchase the more expensive energy-efficient natural gas appliances.

PROGRAM ACCOMPLISHMENTS: For the reporting period January 1, 2010 through December 31, 2010, 853 incentives were paid.

PROGRAM FISCAL EXPENDITURES: The expenditures for the reporting period of January 1, 2010 through December 31 2010 were \$427,082.

PROGRAM PROGRESS SUMMARY: The FPSC approved this program on August 29, 2000. From the inception through the reporting period FPUC has retained 6,205 natural gas hot water heaters.

PROGRAM TITLE: Residential Service Reactivation Program

PROGRAM DESCRIPTION: This program is designed to encourage the reactivation of existing residential service lines that are scheduled to be cut-off and capped. The program offers incentives in the form of cash incentives to residential customers to assist in defraying the additional cost associated with the purchase and installation energy-efficient natural gas appliances.

PROGRAM ACCOMPLISHMENTS: For the reporting period January 1, 2010 through December 31, 2010, 4 incentives were paid.

PROGRAM FISCAL EXPENDITURES: The expenditures for the reporting period of January 1, 2010 through December 31, 2010 were \$14,125.

PROGRAM PROGRESS SUMMARY: FPSC approval of this program occurred on August 29, 2000. From inception through the reporting period 5 residential services have been reactivated as a result of this program.

PROGRAM TITLE: Residential Conservation Service Program

PROGRAM DESCRIPTION: The objective of the Residential Conservation Service Program is to provide Florida Public Utilities Company's residential customers with energy conservation advice based on review of their homes actual performance that encourages the implementation of efficiency measures and/or practices resulting in energy savings for the customer. Florida Public Utilities Company views this program as a way of promoting the installation of cost-effective conservation measures. During the survey process, the customer is provided with specific whole-house recommendations. The survey process also checks for possible duct leakage.

PROGRAM ACCOMPLISHMENTS: This year a total of 8 surveys were performed.

PROGRAM FISCAL EXPENDITURES: The expenditures for the reporting period of January 1, 2010 through December 31, 2010 were \$36,341.

PROGRAM PROGRESS SUMMARY: This program was implemented on September 1, 2000. Since inception through the reporting period, 125 residential customers have participated.

PROGRAM TITLE: Commercial Conservation Service Program

PROGRAM DESCRIPTION: The Commercial Conservation Service Program is an interactive program that assists commercial customers in identifying energy conservation opportunities. The survey process consists of an on-site review of the customer's facility operation, equipment, and energy usage pattern by a Florida Public Utilities Company Conservation Representative. The representative identifies all areas of potential energy usage reduction as well as identifying end-use technology opportunities. A technical evaluation is then performed to determine the economic payback or life cycle cost for various improvements to the facility. Florida Public Utilities Company will subcontract the evaluation process to an independent engineering firm and/or contracting consultant, if necessary.

PROGRAM ACCOMPLISHMENTS: This year, no surveys were completed during the reporting period.

PROGRAM FISCAL EXPENDITURES: The expenditures for the reporting period of January 1, 2010 through December 31, 2010 were \$31,406.

PROGRAM PROGRESS SUMMARY: This program was implemented on September 1st 2000. From the inception of this program through the reporting period 149 commercial customers have participated.

PROGRAM TITLE: Conservation Education Program

PROGRAM DESCRIPTION: The purpose of the Conservation Education Program is to educate consumers, businesses, and contractors to make wise energy choices. For consumers to make educated choices they must know the benefits of conserving energy and have a basic understanding of energy as well as the measures and behavioral practices needed to make these choices.

PROGRAM ACCOMPLISHMENTS: This year FPU conducted seminars directly reaching at least 34 customers.

PROGRAM FISCAL EXPENDITURES: The expenditures for the reporting period of January 1, 2010 through December 31, 2010 were \$59,646.

PROGRAM PROGRESS SUMMARY: This program has been successful and we are optimistic that our customers will continue to involve us to an even greater extent in the future on upcoming commercial and residential construction projects.

PROGRAM TITLE: Space Conditioning Program

PROGRAM DESCRIPTION: The program is designed to convert on-main customers from electric space conditioning equipment to energy-efficient natural gas space conditioning equipment. The program provides a financial incentive to qualified participants to compensate for the higher initial cost of natural gas space conditioning equipment. The program reduces summer as well as winter peak demand and contributes to consumption reduction.

PROGRAM ACCOMPLISHMENTS: There were no participants in this program in 2010.

PROGRAM FISCAL EXPENDITURES: The expenditures for the reporting period of January 1, 2010 through December 31, 2010 were \$14,409.

PROGRAM PROGRESS SUMMARY: From FPSC approval of the program on August 29, 2000 through December 31, 2010 FPUC has connected 10 space conditioning projects to its natural gas system.