BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Demand Reduction Capital Offset Program and Commercial/ Industrial Motor Efficiency Program Plans by Florida Power Corp. for approval.	DOCKET NO. 910458-EG ORDER NO. 24815 ISSUED: 7/15/91

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
J. TERRY DEASON
BETTY EASLEY
MICHAEL McK. WILSON

NOTICE OF PROPOSED AGENCY ACTION

ORDER APPROVING PORTIONS OF FLORIDA POWER CORPORATION'S CONSERVATION PLAN

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

CASE BACKGROUND

During the 1989 session of the Florida Legislature, Sections 366.80-.85 of the Florida Statutes were revised and extended, and this Commission was charged with implementing the Florida Energy Efficiency and Conservation Act (FEECA). We were charged with adopting appropriate goals for increasing the efficiency of energy consumption and with directing affected utilities in developing plans and programs to meet our goals. Accordingly, on November 14, 1989, we issued Order No. 22176, in which we adopted the goals listed in Rule 25-17.001, Florida Administrative Code, we advised the affected utilities to submit plans and programs which would meet these goals, and we listed three criteria to use when judging the conservation programs.

On February 12, 1990, Florida Power Corporation (FPC) filed its Energy Efficiency and Conservation Program (Docket No. 900103-EG). We approved FPC's plan by Order No. 23556, issued October 2, 1990, except for the Demand Reduction Capital Offset Program, which we directed FPC to modify and to resubmit for approval by April 1,

1991. On March 27, 1991, the Company filed a timely revision, and this docket was opened. In addition to the revised Demand Reduction Capital Offset Program, FPC also filed a revised version of its Commercial/Industrial Motor Efficiency Program for us to review and approve.

THE COMMERCIAL/INDUSTRIAL MOTOR EFFICIENCY PROGRAM

FPC's revised Commercial/Industrial Motor Efficiency Program is intended to encourage customers to replace inefficient motors with high efficiency motors, and to select high efficiency models when purchasing new motors. These measures are intended to reduce the growth rate of motor loads in the Commercial/Industrial sector. Changes from the earlier version of the program include refined data on motor efficiency requirements, adding motors over 25 horsepower (HP), and expanding the program to cover the purchase of new motors. Even with incentives, FPC has encountered customers who are reluctant to retrofit otherwise operative motors just for the sake of conservation. The Company believes customers in the market for new motors will be more receptive to this program, and it has decided to target that market.

The revised program will now apply to all electric motors, existing and new, from 1 HP to 200 HP. The rebate will range from $6 to $14 per horse power. Rebates are not to exceed one-half the cost of the motor, and the rebate can go directly to the customer and/or dealer/contractor.

We find that the revised motor program has reasonable monitoring, guarantee, audit inspection, and tracking provisions. We also find that projected costs per participant are estimated to be $418, with summer and winter peak demand reductions savings of 1.0 kW, and yearly energy usage reductions of 1,487 kW. In addition, we find that FPC anticipates program participation to be 600 customers per year.

Because the revised Commercial/Industrial Motor Efficiency Program advances our policy objectives and the FEECA directives, because it has direct and measurable results, and because it is cost effective under our pre-approved Rate Impact Test, FPC's revised program is approved.

THE DEMAND REDUCTION CAPITAL OFFSET PROGRAM

FPC's Demand Reduction Capital Offset Program is intended to be an umbrella program which will provide the incentives necessary to encourage FPC's retail business customers to outlay significant capital expenditures for energy efficiency measures which have the potential for shifting commensurate amounts of energy demand off of FPC's electric system. The rebate incentive will be up to 25% of the customer's total project cost; there is no cap on the total project cost. The maximum allowable rebate will be a $300 per kW reduction for projects that reduce both summer and winter kW demand; FPC will start the rebate program at $150 per kW.

Projects covered under existing FPC conservation programs will not be eligible for this program. Conversely, projects appropriate for this program will not, initially, be good candidates for separate conservation programs because the technology will be too new or the applications too limited. Also, because of the uniqueness of the anticipated applications, overall project costs and energy savings are difficult to quantify. An example of a targeted project is a radio station that replaces an existing transmitter which required 300 kW for operation, with a new transmitter requiring only 100 kW, creating 200 kW of demand savings.

The Company intends to implement only those projects that are found to be cost effective under our pre-approved Rate Impact Test. These projects will shift a minimum of 25 kW, will have a minimum useful life of 15 years, and will have a simple payback to the customer greater than 2 years after rebate.

We find that reasonable provisions have been made for project design controls, audit verification, and monitoring. We also find that completion security does not apply to this program, because all costs are borne by the customer until the installation and performance have been verified and approved by FPC personnel. The customer receives the full rebate upon verification and approval. Although FPC has made provisions for continued monitoring of the energy efficiency measures, we are troubled by the lack of provisions for performance assurance beyond initial verification. There does not seem to be any requirement in program qualification standards for the expected demand reductions to continue for the life of the improvement, nor does there seem to be any insurance provisions to protect the ratepayer's investment from damage or loss.

Because the Demand Reduction Capital Offset Program advances our policy objectives and the FEECA directives, because it has direct and measurable results, and because it is cost-effective under our pre-approved Rate Impact Test, we approve this program. However, we find that this program should be improved by expanding program participation standards, and by adding additional assurances to protect the investments of ratepayers.

Accordingly, FPC shall file detailed program participation standards for its Demand Reduction Capital Offset Program. These standards shall be filed within 30 days of the issuance of this Order. The standards shall clearly list

(1) requirements for project eligibility,

(2) requirements for customer eligibility,

(3) known conditions which automatically preclude eligibility,

(4) provisions for performance assurance and investment protection,

(5) the procedure which will be followed when rebates are made,

(6) reporting requirements, and

(7) a sample format showing how project costs will be reported, with incentive dollars clearly separated from other program costs.

We find that this program shall not be implemented unless staff administratively approves these detailed program participation standards.

Also, after the Demand Reduction Capital Offset Program has been in effect for one year, FPC shall file a detailed progress report for this plan, in addition to its regular FEECA filings. This progress report shall contain the following information:

(1) a market analysis showing the expected number and types of potential measures,

(2) estimates of winter and summer kW savings, by year over the next 10 years, for each potential measure, with detailed explanations showing how these savings were calculated, and

(3) revised estimates of start-up and annual program costs with detailed explanations of how these costs were calculated.

Because of the uniqueness of projects under this program, and because of the potentially large outlays of capital, we find that the energy conservation cost recovery customer incentives and other program costs should be monitored closely for prudence. Accordingly, each project which is implemented under the Demand Reduction Capital Offset Program shall be filed separately during the Energy Conservation Cost Recovery review mandated by Rule 25-17.015, Florida Administrative Code. Our cost-effectiveness test and supporting data shall be filed in addition to the normal filings for recovery of costs for conservation programs.

REBATE RANGE

Both of these programs utilize a rebate range rather than a fixed rebate amount. FPC's primary purpose behind the range is to allow leeway for market response. Thus, FPC will initially offer the programs at the lower rebate amount to maximize cost-effectiveness for its ratepayers. However, if the Company determines that the market is sluggish at a particular rebate level, it will have some latitude to adjust the rebate instead of waiting until a program modification is approved by us. We note that the maximum rebate amounts are designed to meet our pre-approved cost effectiveness criteria.

Finally, we find that this docket shall remain open until such time as FPC files, and staff approves, detailed program participation standards for the Demand Reduction Capital Offset Program.

It is, therefore,

ORDERED by the Florida Public Service Commission that Florida Power Corporation's revised Commercial/Industrial Motor Efficiency Program is hereby approved. It is further

ORDERED that Florida Power Corporation's Demand Reduction Capital Offset Program is hereby approved. However, it is noted that this program will not be implemented until Staff has administratively approved detailed program participation standards. It is further

ORDERED that Florida Power Corporation shall file detailed program participation standards for its Demand Reduction Capital Offset Program within 30 days of the issuance of this Order. It is further

ORDERED that a detailed progress report shall be filed for Florida Power Corporation's Demand Reduction Capital Offset Program after this program has been in effect for one year. It is further

ORDERED that Florida Power Corporation shall file each project under its Demand Reduction Capital Offset Program separately during the Company's Energy Conservation Cost Recovery Review. It is further

ORDERED that this docket shall remain open until Staff has reviewed and administratively approved Florida Power Corporation's detailed program participation standards for its Demand Capital Offset Program. It is further

ORDERED that this Order shall become final unless an appropriate petition for a formal proceeding is received by the Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date indicated in the Notice of Further Proceedings or Judicial Review.

By ORDER of the Florida Public Service Commission, this 15th day of JULY, 1991.

Steve Tribble

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

MAB:bmi
910458.bmi

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on 8/5/91.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.