

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of revised program participation standards for Residential Home Energy Improvement and Residential New Construction Programs by Florida Power Corporation.

DOCKET NO. 970056-EG  
ORDER NO. PSC-97-0610-FOF-EG  
ISSUED: May 28, 1997

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman  
SUSAN F. CLARK  
J. TERRY DEASON  
JOE GARCIA  
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING REVISIONS TO THE  
RESIDENTIAL HOME ENERGY IMPROVEMENT  
PROGRAM AND RESIDENTIAL NEW  
CONSTRUCTION PROGRAM

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 substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

The Florida Energy Efficiency and Conservation Act (FEECA), Sections 366.80 - 366.85, Florida Statutes, requires us to adopt goals to reduce and control the growth rates of electric consumption and weather-sensitive peak demand. In Order No. PSC-94-1313-FOF-EG issued October 25, 1994, we set numeric demand-side management (DSM) goals for Florida Power Corporation (FPC). We approved FPC's DSM Plan, designed to meet these goals, in Order No. PSC-95-0691-FOF-EG. The plan consisted of four residential programs, nine commercial and industrial programs and one research and development program. Taken together, the Residential Home Energy Improvement (RHEI) and Residential New Construction (RNC)

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FPC RECORDS/REPORTING

programs were estimated to provide a 34 percent contribution to FPC's summer demand reduction goal and an 82 percent contribution to FPC's energy reduction goal for residential customers. On January 10, 1997, FPC filed a petition for approval of revised program participation standards and incentive levels for the RHEI and RNC programs. On March 31, 1997, FPC filed an amended petition in this docket.

The RHEI program is an umbrella efficiency program for existing homes which promotes thermal envelope efficiency improvements and the installation of upgraded equipment and appliances. The RHEI program provides incentives for ceiling insulation upgrades, duct leakage test and repair, high efficiency electric heat pumps, and high efficiency alternate electric water heating.

The revisions to the RHEI standards include: 1). the level of the incentive paid for the installation of a heat pump will be a function of the type of heating ventilation and air conditioning (HVAC) system being replaced and the efficiency level of the new heat pump, rather than solely based on the efficiency level of the new heat pump; 2). the incentive paid for the installation of a heat pump will be paid directly to the consumer, rather than to the contractor; 3). contractors will be paid a maximum of \$25 per customer account for completing the paperwork on eligible installations; 4). contractors will only be required to complete a Manual J calculation on HVAC equipment if the HVAC equipment exceeds one ton per 500 square feet of conditioned area; and 5). the duct leakage repair incentive will be expanded to include multi-family homes.

FPC asserts that the revised program standards for RHEI will increase program participation, increase demand and energy savings and reduce unnecessary costs for contractors. FPC calculated the cost effectiveness of the revised RHEI program as follows:

Rate Impact Measure Test:	1.43
Participant Cost Test:	2.10
Total Resource Cost Test:	2.55

As originally filed, the RHEI program had a RIM test value of 1.39. Consequently, the RHEI program as modified is cost effective.

The RNC program promotes energy efficient new home construction by providing education and advice to home builders and contractors on energy related issues. The RNC program also provides incentives for the installation of more efficient electric heat pumps and alternate electric water heating units, as well as for preferred duct design and attic insulation.

The three tiered incentive levels of the RNC program have been revised as follows: 1). the Level Two and Level Three incentives have been combined to form a new Level Two which provides incentives of \$100 to \$500 depending on the number and efficiency level of eligible equipment installed; 2). the efficiency levels of the heat pumps required to earn Level Two incentives have been changed to reflect market availability; 3). Level Two incentives will be awarded only if a commensurate reduction in the Energy Performance Index results; and, 4). Level Three incentives will be paid if the home is at least 30 percent more energy efficient than the Council of American Building Officials 1993 Model Energy Code.

FPC asserts that the revised program standards for RNC will increase program participation and result in greater demand and energy savings, while reducing unnecessary costs for contractors. FPC calculated the cost effectiveness of the revised RNC program as follows:

Rate Impact Measure Test:	1.09
Participant Cost Test:	1.34
Total Resource Cost Test:	1.42

As originally filed, the RNC program had a RIM test value of 1.6. The reduction in RIM from 1.6 to 1.09 appears to be primarily a result of FPC's reduction in avoided cost. While the benefit/cost ratio of this program is marginal, with a RIM value of 1.09, FPC will pay Level Two incentives only if a commensurate reduction in the Energy Performance Index (EPI) results. This will reduce the risk that incentives will be paid when demand and energy savings do not materialize.

A program which passes the RIM test with a value greater than 1.0 is considered cost effective and will reduce rates for all customers. However, a RIM value of 1.09, for the RNC program, leaves little room for error in avoided cost or demand reduction estimations. Therefore, it may be appropriate to allocate the costs of the program to residential customers to reduce the risk that non-participating customers will not benefit from the program.

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This allocation method is being investigated in Docket No. 970046-EI.

We find that the RHEI's and RNC's program revisions meet the criteria established for DSM program approval. Moreover, we expect that the RHEI's and RCN's proposed program revisions will increase program participation. The programs as modified are cost effective, directly monitorable, and advance the policy objectives set forth in Rule 25-17.001, Florida Administrative Code and FEECA. Therefore, we approve FPC's revised program participation standards for both the RHEI and RCN programs.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the revised program participation standards and incentive levels for the Residential Home Energy Improvement Program and Residential New Construction Program are approved. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that in the event this Order becomes final, this Docket shall be closed.

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By ORDER of the Florida Public Service Commission, this 28th  
day of May, 1997.

  
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BLANCA S. BAYÓ, Director  
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on June 18, 1997.

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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 substantially 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 wastewater 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.