

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of modifications to demand-side management program plan and participation standards, by Duke Energy Florida, LLC.

DOCKET NO. 20210121-EG
ORDER NO. PSC-2021-0465-PAA-EG
ISSUED: December 20, 2021

The following Commissioners participated in the disposition of this matter:

GARY F. CLARK, Chairman
ART GRAHAM
ANDREW GILES FAY
MIKE LA ROSA
GABRIELLA PASSIDOMO

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING PARTIAL APPROVAL FOR REQUESTED
MODIFICATIONS TO DEMAND SIDE MANAGEMENT PLANS

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 (F.A.C.).

Background

On August 30, 2020, we approved Duke Energy Florida's (DEF or Utility) Demand-Side Management (DSM) Plan, and granted Commission staff administrative authority to approve the associated program participation standards.¹ The DSM Plan included DEF's Neighborhood Energy Saver, Home Energy Check, and Residential Load Management programs. On July 2, 2021, DEF petitioned us to approve three modifications to these DSM programs. According to DEF's petition, these modifications were pursuant to the Memorandum of Understanding (MOU) that was entered into by DEF, Vote Solar, the Southern Alliance for Clean Energy, and the CLEO Institute, as an agreement for the signatories to forgo their opportunity to petition to intervene in DEF's limited proceeding to approve its 2021 settlement agreement.²

¹Order No. PSC-2020-0274-PAA-EG, issued August 30, 2020, in Docket No. 20200054-EG, *In re: Petition for approval of proposed demand-side management plan, by Duke Energy Florida, LLC.*

²Document No. 03685-2021, filed April 23, 2021, in Docket No. 20210016-EI, *In re: Petition for limited proceeding to approve 2021 settlement agreement, including general base rate increases, by Duke Energy Florida, LLC.*

The Neighborhood Energy Saver program is a low-income residential program designed to assist neighborhoods where approximately 50 percent of households have incomes equal to or less than 200 percent of the poverty level. As part of this program, DEF or a third-party contractor will install energy conservation measures identified through an energy assessment of the customers' homes, and customers will receive energy education materials. The program conservation measures include energy efficient lighting, air sealing-infiltration control, water heater insulation wrap and hot water pipe insulation, water conservation shower heads and faucet aerators, heating, ventilation, and air conditioning (HVAC) filters, indoor wall thermometer, ceiling insulation upgrade, HVAC maintenance/tune up, duct repair, smart power strips, high efficiency heat pumps, high efficiency room air conditioners, and high efficiency central air conditioning. DEF requested approval to increase the program participation projection by an incremental 250 customers per year from 2022 to 2024.

The Home Energy Check program is a residential energy audit program that provides all program participants with an analysis of their energy consumption, and provides educational information on how to reduce energy usage to save money. One part of this program involves a home inspection to identify actions that the customers might take to reduce their energy consumption. Another aspect of the program includes the distribution of energy efficiency kits. These kits include two 17-foot rolls of adhesive weather strip, a 10-pack of switch and outlet gaskets, a hot water gauge, a digital refrigerator thermometer, two nine-watt LED light bulbs, two faucet aerators, and one energy efficient showerhead. DEF requested approval to provide additional "Assistance Kits" to as many as 20,000 low-income program participants per year from 2022 to 2025.

The Residential Load Management program is a residential demand response program where customers voluntarily allow DEF to reduce demand by controlling service to selected electrical equipment in a customer's home. As part of this program, customers are provided with a monthly credit that varies depending on the number of load management devices the customer has installed and their usage. DEF requested approval to modify the existing program by providing \$30 gift cards to as many as 1,000 low-income program participants whose accounts are more than 60 days in arrears, each year from 2022 to 2023.

On August 6, 2021, DEF petitioned for approval of its actual and estimated conservation cost recovery clause expenditures for 2021 and 2022 in the Energy Conservation Cost Recovery (ECCR) clause docket (Docket No. 20210002-EI), including the incremental expenses of the proposed program modifications described above.³ We approved the projected 2022 ECCR expenditures and cost recovery clause factors for DEF on November 17, 2021, including

³Document No. 08858-2021, filed August 6, 2021, in Docket No. 20210002-EG, *Energy Conservation Cost Recovery Clause*, by Duke Energy Florida, LLC. ("Actual/Estimated and Projection filing"). DEF witness Cross identified an estimated expense of \$159,250 for costs in 2021 for programs associated with the instant docket, including an estimated \$129,250 in expense for the Home Energy Check program and \$30,000 for distributing 1,000 "Assistance Gift Cards" associated with the Residential Load Management program. Witness Cross also identified a projected 2022 incremental expense of \$796,253 for programs associated with the instant docket, including \$517,000 in expense for the Home Energy Check program, \$249,253 in expense for the Neighborhood Energy Saver program, and \$30,000 for the Residential Load Management program.

recovery of \$955,503 in estimated incremental costs of these proposed program modifications.⁴ These projected costs are subject to adjustment in the ECCR docket, and DEF is expected to address any adjustments that result from our decision in this docket in its ECCR true-up filings.

We have jurisdiction over this matter pursuant to Sections 366.80 through 366.83 and 403.519, Florida Statutes (F.S.), collectively known as the Florida Energy Efficiency and Conservation Act (FEECA).

Review and Decision

While the MOU is the impetus for DEF's requested modifications to its Neighborhood Energy Saver, Home Energy Check, and Residential Load Management programs, it was filed for informational purposes only, is non-binding, and has no precedential value. These proposed modifications were brought before us in a petition to modify DSM programs; and as such, the criteria used to review the appropriateness of DSM programs are: (1) whether the program advances the policy objectives of FEECA and its implementing rules; (2) whether the program is directly monitorable and yields measurable results; and (3) whether the program is cost-effective.⁵ We have reviewed DEF's petition and evaluated the requested program modifications based upon these criteria.

Neighborhood Energy Saver Program

DEF requested to modify its low-income Neighborhood Energy Saver program to increase the projected program participation by an incremental 250 customers per year from 2022 to 2024. This value was determined through discussions with DEF's program management team about potential neighborhoods and the ability of the field team to handle the additional workload. The estimated additional program expense for this program modification is \$249,253 for 2022.

The request to increase the program participation by an incremental 250 participants from 2022 through 2024 is technically not a modification that requires our approval, as there is currently no participation cap on this program. We also note that program participation is voluntary, and utilities are responsible for marketing and monitoring these participation rates as necessary in order to meet the goals established by our earlier order. We have discussed this in prior orders approving DSM programs as shown below:

The values presented are DEF's projections based upon participation rates which may or may not occur. DEF will be responsible for monitoring actual participation rates and seeking our approval, if necessary, to modify, add, or

⁴Order No. PSC-2021-0427-FOF-EG, issued November 17, 2021, in Docket No. 20210002-EG, *In re: Energy conservation cost recovery clause*.

⁵Order No. 22176, issued November 14, 1989, in Docket No. 890737-PU, *In re: Implementation of section 366.80-85 Florida Statutes, Conservation Activities of Electric and Natural Gas Utilities*.

remove programs. If DEF is unable to meet our approved goals, the Company may be subject to appropriate action, up to and including financial penalties.⁶

While we approve DEF's modification of this program for the purposes of cost recovery, we note that the projected costs are subject to true-up during our review in the annual ECCR Clause proceeding.

Home Energy Check Program

DEF also requested to modify its Home Energy Check program to provide "Assistance Kits" to up to 20,000 low-income customers per year, who complete either an online or walk-through home energy audit from 2022 to 2025. These kits would be in addition to the kits currently provided to program participants who receive either the walk-through, online or phone-assisted audit, and would include measures with less than a two-year payback. The measures to be included in the "Assistance Kits" are three nine-watt LED light bulbs, a smart power strip, and hot water pipe insulation. The additional program expense for this modification is anticipated to be \$517,000 for 2022.

The additional low-income customer "Assistance Kits" requested for inclusion in this program appear to meet the intent of FEECA in regard to helping reduce the growth rate of peak demand and electricity consumption. After reviewing the proposed modification, we note that because energy audits are required to be provided to all residential customers pursuant to statute,⁷ cost-effectiveness test results were not provided for this requested program modification. Although the utility stated in response to Staff's First Data Request, No. 13, that "[n]one of the measures included in the "Assistance Kit" are cost-effective under the RIM test but will pass on meaningful bill savings to the recipients,"⁸ we also note that DEF stated that the program, when taken as a whole, was cost-effective.

For the reasons stated above, we approve DEF's modifications for cost recovery.

Residential Load Management Program

DEF also requested to modify its Residential Load Management program to provide \$30 gift cards to up to 1,000 low-income program participants, with accounts that are more than 60 days in arrears each year from 2022 to 2023, for a total of up to \$60 per customer. DEF stated that these gift cards could help customers pay their energy bills, and allow DEF to maintain the demand response resources associated with low-income program participants. The additional program expense is \$30,000 for 2022.

DEF indicated that customers have 21 calendar days to pay their bills. If payment is not received within this time frame, late notices are generated which provide five working calendar days to pay before a customer is eligible to be disconnected. The amount of outstanding liability,

⁶Order No. PSC-15-0332-PAA-EG, issued August 20, 2015, in Docket No. 150083-EG, *In re: Petition for approval of demand-side management plan of Duke Energy Florida, Inc.*

⁷Section 366.82(11), F.S.

⁸<http://www.floridapsc.com/library/filings/2021/09753-2021/09753-2021.pdf>

length of service, and credit history with the utility, are all factors that assist DEF in determining whether a residential cut-out ticket will automatically be generated. Delinquent accounts that are not automatically eligible for a cut-out appear on DEF's Cut List for review. Manual reviews are done between day one and day five of the account appearing eligible for cut. As of August 20, 2021, DEF had made a total of 117,661 customer disconnections since January 7, 2021, or 0.8 percent of DEF's total number of billed accounts. As indicated above, DEF retains discretion concerning customer disconnections.

All participants in the Residential Load Management program currently receive a monthly bill credit of up to \$14.00 for allowing DEF to control service to specific electrical equipment during peak hours. The amount of this credit depends on usage, billing months, and which interruption schedules customers select. This program allows DEF to reduce its peak demand.

DEF asserted that providing these gift cards could help those customers pay their energy bills, and allow DEF to maintain the demand response resources associated with these participants. However, we find that the offering of gift cards (or a bill credit) in no way advances the policy objectives of FEECA. Unlike the current credits being offered for allowing DEF to control service to specific electrical equipment during peak hours, the gift card offer does not contribute to demand savings. While DEF argued that the modification could allow it to maintain demand response resources with this group of customers, the argument is flawed for several reasons. First, consumers can use the gift cards for purposes other than bill relief. Second, customers may leave the program at any time, including the day after they receive their gift card. Third, DEF's customer arrearages average more than \$30.⁹ Therefore, even if used toward the customer's bill, we find that the gift card is unlikely to have a meaningful impact upon the amounts owed in arrears, and would not halt a disconnection or retain the customer as a program participant. Therefore, the gift cards would not guarantee continued demand savings from these customer resources.

Regarding the savings associated with the up to 1,000 existing program participants that would potentially be retained as a result of the gift cards, this results in approximately 1.43 MW or 0.36 percent of the program's total projected annual summer demand savings, and approximately 2.03 MW or 0.29 percent of the program's total projected annual winter demand savings, based on the savings values provided in DEF's petition. Therefore, if the demand response resources associated with these participants were lost, this would not significantly impact the program's demand savings.

We find that, for the reasons discussed above, the proposed gift cards are charitable contributions, which are not costs that the general body of ratepayers should bear. Furthermore, we note that there are other resources for DEF's customers in need of financial assistance. For example, we commend DEF for its Energy Neighbor Fund, which combines donations from DEF's employees and customers with matching contributions from the Duke Energy Foundation up to \$500,000 and provides the proceeds to DEF's Energy Neighbor Fund agency partners. DEF provides customers in need with agency contact information through inbound calls to its

⁹The average amount of arrearages per customer is approximately \$130.

Customer Care Center, through its website, and outbound awareness campaigns. We note that DEF may also reach out to agencies directly, on the customers' behalf, with their permission. We find that this approach, and others of this nature, would be appropriate for providing voluntary financial assistance to customers in need. While DEF is not precluded from choosing to have the costs associated with the proposed gift cards borne by its shareholders, we find that this proposal is more akin to a charitable gift and does not contribute to meeting the Utility's conservation goals. Therefore this proposed modification is not approved for cost recovery.

Conclusion

The modifications to DEF's Home Energy Check and Neighborhood Energy Saver programs are approved for cost recovery purposes. Further, we note that the projected costs of the two approved modifications are subject to true-up in our review during the annual ECCR Clause proceeding. Concerning the proposed modification to the Residential Load Management program involving the distribution of gift cards to customers in arrears, we find that the gift cards do not contribute to demand savings. Therefore, cost recovery of this program modification is not approved. We note that while the general body of ratepayers shall not pay these costs, our decision does not preclude DEF from choosing to make the requested modification to the Residential Load Management program, and having the associated costs borne by its shareholders.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Duke Energy Florida, LLC's proposed modifications to the Home Energy Check and Neighborhood Energy Saver programs are approved for cost recovery purposes. It is further

ORDERED that the projected costs of the two approved modifications are subject to true-up in our review during the annual ECCR Clause proceeding. It is further

ORDERED that the proposed modification to the Residential Load Management program is not approved for cost recovery purposes because the gift cards do not contribute to demand savings. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that if a protest is filed within 21 days of issuance of the Order, the tariff shall remain in effect with any charges held subject to refund pending resolution of the protest. It is further

ORDERED that if no timely protest is filed, this docket shall be closed upon the issuance of a Consummating Order.

By ORDER of the Florida Public Service Commission this 20th day of December, 2021.



ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

WLT/MJJ

DISSENT:

Chairman Gary F. Clark concurs with the Commission's decision to disallow the requested modification to the Residential Load Management program and dissents from the decision to approve the requested modifications to the Home Energy Check and Neighborhood Energy Saver programs.

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 that is available under Section 120.57, 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 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.

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The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 10, 2022.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

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