BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for approval of new and revised energy conservation programs by Florida Power Corporation.	DOCKET NO. 921189-EG ORDER NO. PSC-93-0572-FOF-EG ISSUED: April 13, 1993

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
THOMAS M. BEARD
JULIA L. JOHNSON
LUIS J. LAUREDO

NOTICE OF PROPOSED AGENCY ACTION

ORDER APPROVING FLORIDA POWER CORPORATION'S PETITION TO IMPLEMENT NEW AND REVISED ENERGY CONSERVATION PROGRAMS

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

On November 17, 1992, Florida Power Corporation (FPC) filed its petition for approval to implement and recover cost for the following new and revised energy conservation programs:

New Programs:
- Standby Generation Program
- Comfort Cash Loan Program for Residential Customers
- Comfort Cash Loan Program for Commercial and Industrial Customers

Revised Programs:
- Load Management Program
- Innovation Incentive Program (Previously the Demand Reduction Capital Offset Program)

NEW CONSERVATION PROGRAMS

Standby Generation Program (Standby Program)

According to FPC, the Standby Program and associated GSLM-2 Tariff are designed to reduce system demand by indirect control of customer-owned standby generation equipment. FPC intends to use the program to supplement generation during periods of high load resulting from weather conditions and/or generation plant and delivery system limitations. The Standby Program was pilot-tested by FPC utilizing two generators at the City of St. Petersburg's Northwest Waste Treatment Plant and three generators at the Morton Plant Hospital in Clearwater, Florida.

To be eligible, commercial, industrial and agricultural (C/I) customers must own on-site generation and be willing to voluntarily reduce their system demand upon request by FPC. Such request can occur at any time during the day. However, standby generators will not be called on more than twice each day with a total usage not to exceed 12 hours a day without customer permission. In exchange the customer will receive a monthly credit on their energy bill according to their demonstrated ability to reduce demand at FPC's request. The magnitude of the credit will be based upon the load that FPC would normally have to serve if the Standby Program were not in operation. C/I customers who have already taken advantage of lower rates by allowing FPC some form of control over their demand are ineligible as are customers on the GSLM-1 rate due to computer accounting limitations.

According to FPC, per customer demand and energy savings are expected to be 100 kW for both winter and summer and 20,000 kWh annually with an anticipated usage of 200 hours a year. Two hundred hours is both an operating objective and limit. There are regulatory, environmental and maintenance implications involved in running standby generators in excess of 200 hours per year. However, FPC does have tariff provisions should there be a system requirement to call on standby generation in excess of 200 hours a year.

After reviewing FPC's Standby Program, we find that the resulting benefit/cost ratios for an estimated average cumulative participation of 200 customers through the year 2001 are:

23.8 Total Resource Test
1.2 Rate Impact Test

We agree with our staff that FPC's Standby Program and associated GSLM-2 Tariff are designed to be cost-effective, monitorable and measurable and will contribute to reducing weather sensitive peak demand and are approved.

Comfort Cash Loan Program for Residential Customers (Comfort Cash/RC)

According to FPC the Comfort Cash/RC was developed to replace the Comfort Cash Loan Program discontinued with the Commission's Energy Conservation Loan Test Program (ECLTP) in July of 1991. The ECLTP was initiated by this Commission in 1986, to encourage lending institutions to cooperate with utilities in promoting low interest loans for customers to install energy efficiency measures in their residences.

Similar to the ECLTP, FPC's Comfort Cash/RC will require potential loan applicants to first have a Florida Power Energy Audit to determine if there are cost-effective conservation measures appropriate for their residences. Initially, the conservation measures covered under Comfort Cash/RC will be the same as the 20 measures approved for ECLTP and listed in Rule 25-17.011(2)(d), Florida Administrative Code. The incentive for customers to request a Comfort Cash/RC loan and for a lending institution to underwrite the loan is an interest subsidy that will be provided by FPC on a present value basis to the lending institution up to 4% simple interest per annum over the life of the loan in lieu of that portion of interest payment by the customer. The maximum amount of loan principal FPC will subsidize is $5,000 for a 5-year period.

FPC anticipates average energy savings per participant to be 1.0 kW winter and 0.25 kW summer and 1,000 kWh annually. According to FPC, to achieve a benefit/cost ratio of 1.0 for the Rate Impact Test, the maximum allowable incentive will be $575 per loan.

We agree with our staff that FPC's Comfort Cash/RC is an important mechanism to provide access to energy conservation savings for customers who otherwise might not be able to participate in conservation but are indirectly paying for conservation, nonetheless, through each utility bill. However, for this Commission to accurately assess the cost-effectiveness of FPC's program, validation of actual demand and energy savings is necessary. Our approval of this program is conditional subject to FPC's validation during the program's implementation phase of actual kW and kWh savings for the covered measures with the results reported to the Commission staff by July 1, 1994. We are also requiring that FPC establish procedures to ensure energy savings from the measures covered under the loan program are not double counted or given additional incentives under other FPC energy conservation programs.

Comfort Cash Loan Program for Commercial and Industrial (Comfort Cash C/I)

FPC states that its Comfort Cash C/I was developed to give small business and industrial customers the same access to low interest loans for energy improvements previously available only to residential customers. The Comfort Cash C/I program is designed to operate in the same manner as the Comfort Cash Program for Residential Customers described above.

The maximum amount of principal on which FPC will make a subsidy payment for Comfort Cash C/I loans will be $25,000 for a maximum term of seven years. As in the residential Comfort Cash/RC program, the energy measures which will be approved for coverage under the Comfort Cash C/I will include the 20 measures listed in Rule 25-17.011(2)(d), Florida Administrative Code. However, FPC has added the following four additional energy conservation measures for Comfort Cash C/I loans:

1) High efficiency electric HVAC and refrigeration equipment,
2) High efficiency lighting measures,
3) High efficiency motors,
4) Installation of heat pipes with removal of electric resistance heat.

FPC anticipates average energy savings per participant to be 0.5 kW winter, 2.0 kW summer and 2,000 kWh annually. According to FPC, to achieve benefit/cost ratio of 1.0 per the Rate Impact Test, the maximum allowable incentive subsidy will be $4,100 per loan.

We agree with staff that FPC's Comfort Cash C/I is an important mechanism to provide access to energy conservation savings for customers who otherwise might not be able to participate in conservation but who are indirectly paying for conservation, nonetheless, through each utility bill. However for the Commission to accurately assess the cost-effectiveness of FPC's program, validation of actual demand and energy savings is necessary. We therefore are requiring that FPC validate, during the program's implementation phase, actual kW and kWh savings for the covered measures with the results reported to our staff by July 1, 1994. We are also approving the program conditioned upon FPC's establishing procedures to insure energy savings from the measures covered under the loan program are not double counted or given additional incentives under other FPC energy conservation programs.

REVISED PROGRAMS

Advanced Load Management Program (ALM)

FPC is requesting to add the ALM to its existing schedules for residential and general service load management customers (RSL-1 and GSLM-1 tariffs). FPC's current Load Management (LM) Program was approved in 1990, as part of FPC's revised Energy Conservation Plan. However, FPC originally filed its LM with the Commission in 1979. By year-end 1981, the first full year of implementation, the program totaled 48 residential participants and 110 general service participants. By year-end 1992, the program totaled 449,778 residential participants and 848 general service participants.

FPC's LM Program is a combined program offered to both residential and general service continuous service customers (firm load) through the RSL-1 and GSLM-1 tariffs. It is implemented through the customer's selection of a schedule to interrupt specific electric appliances which contribute 70% to 80% of coincident peak.

Under the ALM, eligible participants must be existing LM Schedule B participants and will continue to receive their monthly Schedule B credit in addition to an ALM credit for each day in which the ALM Schedule is implemented. Schedule B customers are those with either central heating and/or cooling systems with interruption normally scheduled not to exceed 16.5 minutes during any 30-minute interval. However, under the ALM, these participating customers also select an advanced interruption schedule ranging from 18 to 309 minutes during any 30-minute interval to be used when the ALM is activated during times of extreme system peak.

According to FPC by the year 2001 there will be 21,000 to 26,000 customers subscribing to the ALM with expected winter an summer kW reductions per customer of 4.11 kW and 2.42 kW, respectively.

We agree with our staff that FPC's LM Program as modified by adding the ALM is cost-effective, monitorable and measurable and will contribute to reducing weather sensitive peak demand, should be approved.

Commercial/Industrial Innovation Incentive Program (C/I-II)

FPC's Demand Reduction Capital Offset (DRCO) Program, was originally approved in 1991 by this Commission. That program's intent was, and still is, to encourage legitimate energy efficiency measures that reduce kW demand which are not addressed by other FPC conservation programs. As currently designed, DRCO targets the installation of substantial C/I conservation measures with resulting substantial investment of capital expenditures. However, during the implementation phase of DRCO, FPC responded to customer concerns that otherwise cost-effective and innovative energy projects were being excluded from participation by the program's exacting standards.

FPC's revised program, is designed to attract a larger number of participants with smaller incremental demand reduction and energy savings with overall larger and fairer program results. The following summarizes major modifications to program eligibility to redesign the program's emphasis.

1) lower the requirement for projects to shift a minimum of 25 kW to whatever is cost-effective.

2) lower the requirement for projects to reduce both summer and winter kW demand to those that reduce either.

3) lower the requirement for new construction to exceed State Building Code by a minimum of 25% to a minimum of 10%.

4) change the requirement for projects to have a simple payback of more than two years to a simple payback of more than one year.

5) specifically identify fuel switching measures as ineligible for program consideration.

6) increase the incentive limit from 25% of customer's cost for the energy efficiency measure to 50%.

7) lower the requirement for cost-effectiveness of greater than 1.2 to cost-effectiveness of no less than 1.0.

The maximum allowable rebate for the program is $300 per kW reduction although FPC has been using, and anticipates continuing to use, $150 per kW. Having a range for the incentive was approved by the Commission in the original petition. The high-end of the range is designed to be cost-effective, but will only be used if the market becomes sluggish.

The C/I-II still maintains requirements for the customer to submit detailed project specifications for FPC to review prior to executing a contract with the customer and for verification of demand and energy savings and expected project life and viability prior to disbursing funds. Costs for monitoring devices will be added to program costs prior to determining cost-effectiveness.

Since projects selected for the C/I-II are unique, attempting to describe a typical benefit/cost profile is difficult. In addition, FPC used different project assumptions in the program description from those used in the cost-effectiveness test. The cost-effectiveness tests were run using higher criteria to test the program's effective limits. Instead, program intent may be summarized by the following two criteria:

1) To be selected for contract execution, FPC must evaluate the project as viable and cost-effective.

2) To receive the program incentive, the project must deliver the designed results.

We agree with our staff that FPC's modifications and the establishment of C/I-II should be approved since overall cost-effectiveness will be maintained at the same time a wider range of energy efficiency measures will be eligible for consideration. We are also requiring that FPC report program costs and savings on a project by project basis for evaluation prior to cost recovery through the Energy Conservation Cost Recovery docket.

PROGRAM PARTICIPANT STANDARDS

Our approval of FPC's petition is condition on it filing program participation standards within the following time-frames:

1) within 21 days of the Commission vote for the Standby Generation and Load Management Programs which have associated tariffs;
2) within 30 days of Commission Order for the Innovative Incentive Program revision; and
3) within 60 days of Commission Order for the Comfort Cash Programs.

The standard should clearly state FPC's requirements for the program in a manner which precludes program bias and assures program integrity.

SIX-MONTH PROGRESS REPORT

We are also requiring that FPC file with Commission staff six-month progress reports for each of the programs approved in this petition until the new programs or the modifications to existing programs are fully implemented and tested. The purpose of these reports is to identify potential problems early in development so necessary adjustments can be made to keep the programs cost-effective, on track and responsive to customer's needs. The report should contain, at a minimum:

1) Narrative summary of FPC's experience with the program during the period specifically stating any recommended modifications that can be administratively approved;

2) Narrative summary of marketing efforts during the period including samples of media used;

3) Narrative summary and numeric data on customer response during period with explanation of major variances from expected results;

4) Revised estimates, if applicable, of winter and summer kW savings and annual kWh savings with explanations of major revisions;

5) Revised estimates, if applicable, of start-up and recurring program costs with explanations of major revisions.

6) Updated cost-effectiveness test based on any revised assumptions.

Based upon the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power Corporation's petition for approval and new and revised conservation programs is approved as described in the body of this Order. It is further

ORDERED that within 60 days of the date of this Order, Florida Power Corporation shall file program participation standards as forth in the body of this Order. Staff is given administrative authority to approve these standards. It is further

ORDERED that Florida Power Corporation shall file a progress report every six months until these programs have been fully implemented. It is further

ORDERED that all the provisions of this Order issued as proposed agency action have become final unless a petition in the form provided by Rule 25-17.011(2)(d). It is further

ORDERED that approval of tariff sheets 6.130-6.142 and new tariff sheets 6.225 and 6.226 shall become effective on the expiration of the 21 day period in which to file objections to the proposed agency action portion of the order. It is further

ORDERED that this Order shall become final and this docket shall be closed unless an appropriate petition for 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 13th day of April, 1993.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

MRC:bmi

by: Kay Flynn
Chief, Bureau of Records

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 May 4, 1993.

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 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.