

FLORIDA PUBLIC SERVICE COMMISSION  
Capital Circle Office Center • 2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

M E M O R A N D U M

May 9, 1996

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF ELECTRIC & GAS (FUTRELL) *MF DJ RZ RLT*  
DIVISION OF LEGAL SERVICES (CULPEPPER) *RUE BC*

RE: DOCKET NO. 960171-EG - GULF POWER COMPANY - REQUEST FOR APPROVAL OF THE BUSINESS EDGE, A DEMAND-SIDE MANAGEMENT PROGRAM

AGENDA: 05/21/96 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\EAG\WP\960171EG.RCM

---

CASE BACKGROUND

On January 22, 1996, in Docket No. 960002-EG, Gulf Power Company (Gulf) filed its petition for approval of true-up amounts and amounts projected to be recovered through the Energy Conservation Cost Recovery (ECCR) Clause. Included in this petition was a request for Commission approval to implement a new demand-side management (DSM) program, The Business Edge (Business Edge or program). The proposed program offers a mail-in energy audit to commercial and industrial customers. Gulf included projected expenses associated with the Business Edge program in its ECCR filing.

On February 14, 1996, this docket was established to consider Gulf's request for approval of the Business Edge program and to give Commission staff the opportunity to do a comprehensive review of the program. Because consideration of the Business Edge program was delayed in order to complete this review, Gulf agreed to remove projected expenses associated with the program from its ECCR factor calculation in Docket 960002-EG.

DOCUMENT NUMBER-DATE

05217 MAY-96

FPSC-RECORDS/REPORTING

DOCKET NO. 960171-EG  
MAY 9, 1996

In Order No. 22176, issued November 14, 1989, the Commission stated that conservation programs will be judged by the following criteria:

1. Does each component program advance the policy objectives set forth in Rule 25-17.001 and the FEECA statute?
2. Is each component program directly monitorable and yield measurable results?
3. Is each component program cost-effective?

Staff has based its review of Gulf's proposed Business Edge program on these criteria.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve Gulf Power Company's request for approval of the Business Edge program, including approval for conservation cost recovery?

RECOMMENDATION: No. The Business Edge program, as described by Gulf, does not advance the policy objectives of FEECA. The program provides information and recommendations to commercial/industrial customers on non-energy conservation topics, such as environmental improvements, marketing, and demographics.

STAFF ANALYSIS: The Business Edge program is a direct-mail, energy and environmental auditing program. The program targets small, commercial/industrial customers. The participating customer will complete a Business Edge questionnaire which, as stated in Gulf's petition:

[A]sks customers about their energy consuming equipment or appliances, square footage, hours of operation and other detailed questions regarding their business operations. The questionnaire also covers other factors that affect their business success and their expectations related to environmentally sensitive products and services.

Questionnaire responses will be analyzed and a packaged response, specific to the customer's business type, will be provided to the customer.

Gulf proposes to contract with The EcoGroup, Inc., (EcoGroup) to develop the program questionnaire, perform analyses of completed questionnaires, and provide materials containing information and recommendations which are responsive to completed questionnaires. Information and recommendations provided to the customer will cover three areas:

1. Better energy management - Information and recommendations on energy management strategies and energy cost control.
2. Environmental improvements - Strategies to reduce solid and hazardous waste, to conserve water and other resources, and to reduce waste in the participating customer's business.
3. New marketing opportunities - Reports, using U.S. Census and geo-demographic data, to provide participating customers with profiles of their customers, including advice on how to use the profiles to improve their marketing programs.

Currently, Southern California Edison (SCE) Corporation, under contract with EcoGroup, offers the Business Edge program to its commercial/industrial customers. Gulf has provided staff with copies of the questionnaire and materials that SCE provides to its Business Edge participants. Gulf states that the materials used by SCE are similar to those Gulf plans to use for its program. The materials provide information and suggestions concerning:

1. Energy management, repair and maintenance of equipment, monthly energy cost data for the customer, and end-use energy consumption data based on the customer's business.
2. Area demographics categorized by age, income, and education, the number of businesses by industry type in the customer's area, and consumer expenditures by type.
3. Solid and hazardous waste control and mitigation, as well as tips for conserving water.
4. Contacts and telephone numbers for business loans, trade associations, environmental agencies, and energy conservation information sources.

Gulf estimates its five-year costs for the program at \$361,200, as detailed below:

Licensing Fee	\$105,000
Completed Survey Cost	175,000
Other Fixed Costs	
(mail, labor, overhead)	<u>81,200</u>
Total	\$361,200

Upon Commission approval of the program, Gulf and EcoGroup intend to negotiate the licensing fee which could result in lower or higher cost to Gulf's ratepayers.

Staff has serious reservations regarding Gulf's proposed recovery, through the ECCR clause, of expenses related to non-conservation aspects of the Business Edge program. Specifically, staff believes that Gulf should not be allowed recovery through the clause of costs associated with providing information on waste disposal, water conservation, census and geo-demographic data, and marketing information as these are not energy conservation related.

Staff did attempt to isolate the estimated expenses associated with energy conservation information under the Business Edge program. Gulf estimated that 10-15% of the Completed Survey Cost

DOCKET NO. 960171-EG  
MAY 9, 1996

would be associated with the purchase of demographic information, which would be provided to program participants as part of the marketing information. Gulf was unable to separate costs for energy conservation information within the Business Edge program.

The Florida Energy Efficiency and Conservation Act (FEECA), Section 366.80 -.82, Florida Statutes, requires the Commission to adopt goals to reduce and control the growth rates of electric consumption, and to reduce and control the growth rates of weather-sensitive peak demand. FEECA also authorizes the Commission to require utilities subject to FEECA to develop plans and programs to meet the overall conservation goals.

The non-conservation aspects of the Business Edge program will not contribute to meeting Gulf's numeric conservation goals. Thus, the Business Edge does not advance the policy objectives of FEECA, and, thereby, fails the first criteria for evaluating conservation programs, as set forth in the Case Background. Information concerning energy conservation provided through the Business Edge program does advance the policy objectives of FEECA. However, those expenses cannot be readily isolated. Thus, staff recommends denial of the proposed Business Edge program.

**ISSUE 2:** Should this docket be closed?

**RECOMMENDATION:** Yes. If no person whose substantial interests are affected by the Commission's proposed agency action, timely files a protest within twenty-one days, this docket should be closed.

**STAFF ANALYSIS:** If no person whose substantial interests are affected, files a timely request for a Section 120.57, Florida Statutes, hearing within twenty-one days, no further action will be required and this docket should be closed.