

FLORIDA PUBLIC SERVICE COMMISSION

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M E M O R A N D U M

July 2, 1996

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

FROM: DIVISION OF ELECTRIC & GAS (SHINE, COLSON) *RE 03 RT*
DIVISION OF LEGAL SERVICES (CULPEPPER) *RVE*

RE: DOCKET NO. 960624-EG - PETITION FOR APPROVAL OF GREEN PRICING RESEARCH AND DEVELOPMENT PROJECT BY FLORIDA POWER AND LIGHT COMPANY

AGENDA: 07/16/96 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: I:\PSC\EAG\WP\960624EG.RCM

CASE BACKGROUND

Order No. PSC-94-1313-FOF-EG issued October 25, 1994, established numeric demand-side management (DSM) goals for each of the four investor owned electric utilities. Florida Power & Light Company (FPL) subsequently filed a DSM plan which was approved by the Commission pursuant to Order No. PSC-95-0691-FOF-EG issued on June 9, 1995. This plan contains twenty six programs, including six residential programs, nine commercial/industrial programs, nine research and development (R&D) programs, a cogeneration and small power production program, and a Green Pricing Concept program.

Based on the preliminary information submitted by FPL, the Commission found that the Green Pricing program would contribute toward the commercialization of renewable technologies and may stimulate economic and technological growth in renewable technologies. This program's administrative costs are subject to review and recovered through the Energy Conservation Cost Recovery Clause (ECCR).

On May 17, 1996, this docket was established to consider FPL's request for approval of a two year Green Pricing Research and Development Project as part of the Company's DSM plan, and to allow recovery of reasonable and prudent program expenditures through the ECCR clause. FPL's R&D project is a further refinement to the

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existing concept program and reflects projected program costs, and additional information developed subsequent to the initial program filing.

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 program directly monitorable and yield measurable results?
3. Is each component program cost-effective?

Staff has based its review of FPL's proposed Green Pricing Research and Development Project on these criteria.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve Florida Power & Light Company's request for approval of the Green Pricing Research and Development Project, and approve total ECCR costs not to exceed \$475,000 recovered over the two year project period?

RECOMMENDATION: Yes. The Green Pricing Research and Development Project will advance the policy objectives of FEECA and may contribute to FPL meeting demand and energy goals depending on the results obtained during the two year test period.

STAFF ANALYSIS: The objective of the Green Pricing Research and Development Project is to test FPL customer response to a Green Pricing initiative. Under this Project, FPL will solicit contributions from its customers to be used to purchase, install, maintain and operate photovoltaic (PV) modules on FPL's system.

Except in limited applications, PV modules are not currently cost-effective due to the high initial costs. However, with voluntary contributions placed into a separate Green Pricing Fund, FPL will acquire PV modules and ancillary inter-connection equipment. These modules will be located on one or more sites such as power plants, substations, and/or other locations throughout FPL's service territory. Ultimately, the level of customer contributions will determine the level of FPL investment in PV modules and ancillary equipment.

Initially, FPL will solicit contributions from all classes of customers through bill inserts and direct mail efforts. Inserts will include a tear-off coupon identifying varying contribution amounts. Based on the response from the initial solicitation, FPL may try additional or alternative solicitation methods. FPL will also solicit the assistance of interested groups, such as the Audubon Society, Sierra Club, the Florida Solar Energy Center and others, to help inform the public about this effort.

Over the two year trial period, FPL proposes to recover the following marketing and administrative costs for the pilot effort through the ECCR clause. FPL's estimated costs for the research project are as follows:

Marketing Costs	\$250,000
Administrative Costs	\$189,000
Research Costs	<u>\$ 36,000</u>
Total Research Project Costs	\$475,000

Although FPL's projected costs are in-line with other approved R&D programs, staff expects the Company to cost-effectively manage ratepayer expenditures to achieve the greatest market awareness and customer participation. Recognizing that FPL is not purchasing any PV equipment with the \$475,000, staff is putting FPL on notice that these expenditures may be audited to ensure their accountability. FPL has committed to filing quarterly reports which should include an assessment of project costs and an analysis of media effectiveness.

The Florida Energy Efficiency and Conservation Act, 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. The Green Pricing Research project will help advance the policy objectives of FEECA, with potential benefits to include:

1. The encouragement of a renewable technology which might not otherwise be cost-effective.
2. The lowering of fuel costs through fuel displacement associated with substituting PV-generated kilowatt hours of electricity for those generated by FPL's fossil units.
3. Allowing customers to knowingly contribute toward the potential commercialization of a renewable technology.

Further, this program is directly monitorable and will yield measurable results. FPL will record contributions made by customers, track investments in PV modules and related equipment, keep account of O&M expenses, and track research project costs to be recovered through the ECCR clause. FPL will also measure the energy generated by the PV modules to calculate the fuel displacements benefits.

The cost-effectiveness of the Green Pricing Research and Development Project will be evaluated over the two year test period commencing with the Commission's final order. At the end of this period, FPL anticipates that it will be able to gauge the customer response and propose whether to continue Green Pricing as a permanent DSM program.

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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.