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August 29, 1996

By Hand Delivery

961002-EI

Blanca S. Bayó, Director
Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard, Room 110
Tallahassee, Florida 32399-0850

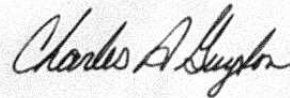
**RE: FPL/Petition for Approval of Marketing
Conservation Research and Development
Program**

Dear Ms. Bayó:

Enclosed for filing on behalf of Florida Power & Light Company (FPL) are the original and fifteen (15) copies of FPL's Petition for Approval of Marketing Conservation Research and Development Program.

If you or your Staff have any questions regarding this filing, please contact me.

Very truly yours,

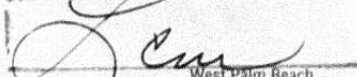


Charles A. Guyton

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THE FLORIDA PUBLIC SERVICE COMMISSION

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In Re: Petition of Florida Power & Light Company For Approval of Marketing Conservation Research and Development Program)
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Docket No. 961002-EI

Filed: August 29, 1996

**PETITION OF FLORIDA POWER & LIGHT COMPANY
FOR APPROVAL OF MARKETING CONSERVATION
RESEARCH AND DEVELOPMENT PROGRAM**

Florida Power & Light Company ("FPL"), pursuant to Section 366.82(2), Florida Statutes (1995), hereby petitions the Florida Public Service Commission ("Commission") to approve FPL's Marketing Conservation Research and Development Program, which is more fully described in Appendix A, as part of FPL's DSM Plan and to authorize FPL to recover reasonable and prudent expenditures for its Marketing Conservation Research and Development Program through FPL's Energy Conservation Cost Recovery ("ECCR") Clause. The grounds for this petition are:

1. FPL is an investor-owned electric utility regulated by the Commission pursuant to Chapter 366, Florida Statutes. FPL is subject to the Florida Energy Efficiency and Conservation Act ("FEECA"), Section 366.80-.85, 403.519, Florida Statutes (1995), and its ECCR Clause is subject to the Commission's jurisdiction. FPL is substantially affected thereby.

2. FPL's address is 9250 West Flagler Street, Miami, FL 33174. Correspondence, notices, orders and other documents concerning this Petition should be sent to:

Charles A. Guyton
Steel Hector & Davis LLP
Suite 601
215 S. Monroe Street
Tallahassee, FL 32301

William G. Walker, III
Vice President, Regulatory Affairs
Florida Power & Light Company
9250 West Flagler Street
Miami, FL 33174

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FPSC-RECORDS/REPORTING

Background

3. In October 1990 the Commission approved as part of FPL's Demand Side Management Plan for the 90's a "Conservation Research and Development Program" ("CRD Program"). See, Order Nos. 23560. The purpose of the CRD Program is to research and develop new conservation technologies through an umbrella effort rather than filing costly and time consuming individual research and development projects for every individual conservation technology the Company wishes to examine. Through the CRD Program FPL has been able to research conservation measures and develop programs (Commercial/Industrial Air Cooled Chiller, Commercial/Industrial Split Packaged DX, Commercial/Industrial Building Envelope, Efficient Motors, and Off Peak Battery Charging) as well as identify promising technologies that deserve or require more extensive research in a research and development project (Residential New Home Construction, Hot Water Storage, and Commercial/Industrial Dehumidification).

4. The CRD Program worked so well that FPL proposed that it be continued as part of its DSM Plan filed in 1995. There FPL sought a slight modification eliminating annual spending caps for the program and proposed, instead, a three year cap. The Commission approved FPL's DSM Plan with that modification to the CRD Program. Order Nos. PSC-95-0691-FOF-EG, PSC-95-1343-FOF-EG.

5. FPL regularly reports in its true-up and projection filings for its ECCR clause the activities within the CRD Program. As can be seen from those reports, FPL is using the CRD Program to stay abreast of emerging DSM technologies and to develop new programs.

Marketing Conservation Research and Development Program

6. By means of this petition, FPL seeks Commission approval of a Marketing Conservation Research and Development Program as part of its DSM Plan. The objective of the Marketing Conservation Research and Development Program is to allow FPL, through an umbrella effort not requiring costly and time consuming research projects, to test alternative market strategies and communications efforts on existing DSM Programs. Through the Marketing Conservation Research and Development Program FPL would establish test or pilot projects of specified durations to research alternative market strategies (for instance, incentives at retail points of purchase, incentives to distributors or manufacturers of high efficiency equipment, bill credits rather than cash incentives) and communication strategies (for example, testing joint vendor/utility advertising) which might have the effect of improving the penetration of existing DSM programs or reducing their administrative costs. The Marketing Conservation Research and Development Program is described in more detail in Appendix A, attached hereto and incorporated by reference.

7. To ensure that the test projects performed under the Marketing Conservation Research and Development Program are not inconsistent with the requirements for existing approved DSM programs, FPL proposes that before entering into any test of an alternative strategy for an existing DSM program that FPL would file with the Commission staff revised program standards for the DSM Program in question. The revised program standards would set forth the nature of the alternative strategies to be employed and restricting factors such as geographic or time limits. FPL has program standards in place for each of its approved programs which the Commission has authorized the staff to review and approve. FPL proposes staff review of program standards for individual tests for several reasons: (a) none of the research efforts contemplated

warrant an individual research and development project; (b) an umbrella effort avoids duplicative administrative costs and efforts associated with individual research projects; (c) individual program modification filings for approved programs for limited scope and duration research efforts would be costly and would delay research efforts; and (d) the filing of amended program standards before each test project would provide advance notice of ongoing research efforts. The Commission may delegate this review to its staff if it has approved this approach to research in granting approval of this program.

8. The Marketing Conservation Research and Development Program will help advance the policy objectives set forth in Rule 25-17.001, Florida Administrative Code, and the FEECA. The Marketing Conservation Research and Development Program will help FPL to achieve its approved conservation goals by identifying alternative marketing and communication strategies that will increase participation in existing approved programs and reduce the cost of delivering such programs. In addition, it will strengthen FPL's ongoing DSM research and development efforts. The Commission noted in the order approving FPL's goals that additional research efforts would be needed for FPL to achieve its conservation goals. Order No. PSC-94-1313-FOF-EG.

9. The Marketing Conservation Research and Development Program should enhance the cost-effectiveness of existing DSM programs by identifying less costly means of delivering these programs and by increasing customer participation.

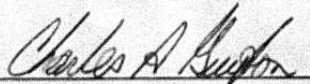
10. The Marketing Conservation Research and Development Program will be directly monitorable and should yield improvements in DSM program design and administration. FPL's proposed reporting on the results of the research to be conducted is described in Appendix A.

WHEREFORE, FPL respectfully petitions the Commission to (1) approve FPL's Marketing Conservation Research and Development Program as part of FPL's DSM Plan and (2) allow FPL to recover through its ECCR clause reasonable and prudent expenditures for its Marketing Conservation Research and Development Program, and (3) authorize its staff to review revised program standards for approved DSM programs in which FPL will be conducting research pursuant to this program.

Respectfully submitted,

STEEL HECTOR & DAVIS LLP
215 S. Monroe St., Suite 601
Tallahassee, FL 32301-1804

Attorneys for Florida Power &
Light Company

By: 
Charles A. Guyton

TAL/16557-1

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Petition Of Florida Power & Light Company For Approval Of Marketing Conservation Research and Development Program was mailed this 29th day of August, 1996 to the following:

Jack Shreve, Esquire
John Roger Howe, Esquire.
Office of Public Counsel
111 West Madison Street
Room 812
Tallahassee, Florida 32399


Charles A. Guyton

APPENDIX A

DESCRIPTION OF MARKETING CONSERVATION RESEARCH AND DEVELOPMENT PROGRAM

MARKETING CONSERVATION RESEARCH AND DEVELOPMENT PROGRAM

I. Background

For the past six years, Florida Power and Light Company (FPL) has successfully used it's "Conservation Research and Development" (CRD) program to research and develop new conservation technologies. The CRD program was originally approved as part of FPL's Demand Side Management Plan for the 90's, was amended and extended several times, and subsequently included in FPL's recently approved DSM Plan. Under the CRD program, FPL investigates new technologies that may have potential in addressing FPL's future resource needs cost-effectively under this umbrella effort, rather than filing for costly and time consuming individual research projects. If sufficiently promising, a new technology may warrant further research in a pilot program or individual research project. If proven to be cost-effective in contributing to FPL's resource needs, the technologies are then developed into a new or existing program as appropriate for approval by the Florida Public Service Commission (FPSC).

As new, less costly generation options have entered the market, FPL has found that it needs to lower the cost of its conservation programs to be able to compete with supply alternatives. One means of lowering conservation costs has been to

lower overall program costs through reduced administrative and communications efforts. As evidenced by FPL's recently approved DSM Plan, FPL has consolidated programs, bundled incentives, reduced advertising and streamlined program management to name a few of the approaches to reduce the costs of conservation programs. However, there are limits to such administrative cost reductions.

Another approach to reducing the overall costs of conservation programs is to research and implement when proven, alternative incentive and marketing approaches for existing technologies. Employing alternate incentives and marketing approaches can also effect the cost-effectiveness of conservation programs in a significant manner. Examples of this approach include changing the amounts of incentives (increases and decreases) as well as when they are paid (in season/ off season basis), to whom incentives are paid (sales floor, distributor, manufacturer versus end-user or contractor), types of incentives provided (eg. financing, credits on bills), adjunct incentives (such as providing duct repair if an HVAC unit is replaced) and communications approaches (such as promotion of different incentive levels during different times of the year when customer interest needs stimulation). All of these approaches can potentially have an effect on and improve the effectiveness of the DSM effort in the market place and it's associated costs.

To provide a vehicle for research and development of alternative incentives and market approaches for existing

technologies in the hope of lowering conservation program costs, FPL is proposing to initiate the Marketing Conservation Research and Development Program (MCRD). Due to the length of approval time frames and costs associated with the preparation and filing of requests for individual projects, FPL is requesting this singular project approach. This project will be patterned after the current Conservation Research and Development program previously approved by the Commission.

II. Project Description

This project will allow FPL to test market strategies and communications efforts on existing approved DSM programs through the use of test or pilot projects of specified durations. Examples of the types of projects to be initiated include providing incentives to retail points of purchase to improve the amount of high efficiency equipment that goes into use, providing incentives to distributors or manufacturers of high efficiency equipment to incent the stocking of high efficiency equipment making it more available in the market place, and alternative incentives to cash, such as bill credits, to determine their acceptance in the market place. These types of strategy changes can be applied to many of the existing approved DSM programs such as residential and commercial HVAC, duct repair, lighting and efficient motors as examples.

Communication strategy examples could include testing vendor/utility advertising to increase penetration of product in the market place.

If these strategy changes prove to warrant a program change to an approved DSM program, FPL would then file for a program change through the Commission to incorporate the new strategy within the program.

III. Project Administration

Each test project will consist of a strategy objective and budget developed to test the strategy in the market place. These test projects will run to a predetermined time, such as through an air conditioning season, to allow for the test project to be as close to a simulation of the market place as possible.

FPL will file Program Standards changes for the program in which the test will run prior to initiating each test. These Standards changes will indicate the strategy change, location of the test, test duration, projected costs, mechanics of how the strategy will be initiated in the market place and other administrative details pertinent to the test.

AT the completion of the test project, a decision will be made to incorporate or not incorporate the results from the test project in the approved program.

IV. Project Cost and Reporting

FPL proposes a budget cap for this effort, in the same manner as there is a budget cap for the CRD program. Reporting will be handled through the reporting process for ECCR expenditures as it is with the current CRD program, allowing for the ability to monitor the progress associated with this effort.

Total funding being requested for the time period of October, 1996 through September, 1999, is \$2,646,000 with an annual cap of no more than \$1,134,000. These budget years would coincide with FPL's budget years.

V. Cost Effectiveness

The cost effectiveness of this program and other research efforts cannot be estimated. The central objectives to each test project will be to determine the impact of the market approach change on participation levels in the program and its associated costs and impact on cost-effectiveness of the DSM program. FPL believes that this will assist the Company in finding additional market approaches which will provide a positive impact on cost-effectiveness of DSM programs. This approach advances the policy objectives of FEECA by researching and testing methods to maintain or improve cost-effectiveness of approved DSM programs.

This program is monitorable and its results will be changes to

reduce the cost of delivery of conservation services. Progress will be monitored through information reported in ECCR filings. This program will not provide quantifiable kw and kwh savings.

(8/5/96)