

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for approval of) DOCKET NO. 951536-EG
BuildSmart Program by Florida) ORDER NO. PSC-97-0092-FOF-EG
Power & Light Company.) ISSUED: January 27, 1997

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
SUSAN F. CLARK
J. TERRY DEASON
JOE GARCIA
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION
ORDER DENYING FLORIDA POWER & LIGHT COMPANY'S
REQUEST FOR APPROVAL OF ITS BUILDSMART PROGRAM

BY THE COMMISSION:

CASE BACKGROUND

A stipulation between the Legal Environmental Assistance Foundation (LEAF) and Florida Power & Light Company (FPL), resolved LEAF's protest to Order No. PSC-95-0691-FOF-EG, approving FPL's Demand Side Management (DSM) plans. LEAF agreed not to contest FPL's proposed DSM programs filed to meet the new goals. As specified in the stipulation, FPL would petition for our approval of a residential new home construction program. FPL agreed to add this program to its approved DSM plans, and make it available to all residential customers who constructed single family detached (SFD) homes in FPL's service territory.

On December 7, 1995, FPL filed a petition seeking our approval of a permanent system-wide BuildSmart program. FPL proposes to inspect qualifying new SFD homes to verify installations of conservation measures, then rate these new homes for energy-efficiency. FPL then awards Bronze, Silver or Gold Certificates to qualifying homes that exceed Florida's Energy Efficiency Code requirements by more than 10, 20 or 30 percent respectively. To qualify for BuildSmart certification, each new home must have a whole-house electric air-conditioning unit. Also, each participating builder must sign a BuildSmart Program Contract or an Agreement with FPL, and comply with all national, state, and local codes and ordinances. The costs for advertising, the series of inspections or audits, and administrative overhead to implement this program are estimated to be \$600.00 per participant. FPL currently offers the BuildSmart program on an approved interim basis in Charlotte, Lee, Glades, Hendry, and Collier counties.

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FPSC-RECORDS/REPORTING

On February 22, 1996, Lee County, Florida (Lee County), filed a Petition for Leave to Intervene in this Docket. Lee County is concerned that FPL's cost-effectiveness analysis supporting the BuildSmart program is not based on FPL's current avoided cost data. Lee County contends that FPL's current avoided cost projections are 24 to 55 percent lower than those in its 1993 forecast. On March 21, 1996, we approved Lee County's petition to intervene.

On April 18, 1996, staff recommended that we not approve the BuildSmart program as originally filed. When the program was evaluated using FPL's 1995 generation assumptions instead of FPL's 1993 generation assumptions, the program was not cost-effective. Before we considered staff's recommendation, FPL requested that we delay its decision until after FPL made modifications to the BuildSmart program in order to make it cost-effective using its 1995 generation planning assumptions.

On July 17, 1996, FPL filed a Motion for Leave to Amend its December 7, 1995, Petition in Docket No. 951536-EG regarding FPL's permanent BuildSmart program. On September 11, 1996, the Prehearing Officer issued Order No. PSC-96-1145-PCO-EG, granting FPL's Motion for Leave to Amend Petition. It is the amended petition which we address in this order.

DECISION

The 1995 generation planning assumptions provided in FPL's 1996 Ten Year Site Plan resulted in a 419 MW combined-cycle plant scheduled to be in service in 2004. The projected base year avoided cost for this plant is \$433.00 per kW. Using these assumptions, FPL's BuildSmart Program benefit/cost ratios were calculated to be: 0.70 for the Rate Impact (RIM) test, 0.74 for the Total Resource Cost (TRC) test, and 1.79 for the Participant test. FPL reduced the cost to implement the BuildSmart program from the initial amount of \$600.00 per participant cost to \$95.00 as follows:

1. FPL shifted \$300.00 of Field Inspection costs from the BuildSmart program to the builders.

2. FPL shifted \$116.00 of Field Inspection costs from the BuildSmart program to the Residential Conservation Service (RCS) program.

3. FPL lowered the Administrative costs from \$184.00 to \$95.00 by reducing advertising, promotion, and support costs.

Consequently, the benefit/cost ratio, with the proposed cost reductions, results in a 1.01 RIM value. Thus, the BuildSmart program is cost-effective by a small margin. However, we deny the BuildSmart program for the following reasons:

Allocating \$116.00 to the RCS program:

We question whether additional savings result from FPL explaining the program to the homeowner and obtaining the homeowner's signature on the summary pages of the audit and systems reports. New homes receiving a Gold Certificate already exceed the building code energy efficiency requirements by at least 30%. There is doubt where these additional savings would come from. In addition, this allocation of cost, which reduces the BuildSmart program cost per participant, to a statutorily required program is not appropriate because this assumes that every BuildSmart home buyer would request an energy audit. A 100 percent penetration level for BuildSmart homes in the RCS program is inappropriate because the penetration level for FPL's total number of eligible customers in the RCS program is only 2.6 percent. Also, since there is no cost-effective test applied to the RCS program, we believe the RCS program could potentially be exposed to cost allocations from other non cost-effective programs. Therefore, the \$116 associated with the Field Inspection costs should not be shifted from the BuildSmart program to the RCS program.

Lowering Administrative costs from \$184.00 to \$95.00 by reducing advertising, promotion, and support costs:

FPL intends to lower the administrative cost for the BuildSmart program from \$184.00 to \$95.00. Since FPL has not proposed to cap these expenses, it would be free to seek recovery of any increase in these expenses through the ECCR. We do not find this appropriate.

BuildSmart program benefit/cost with a ratio of 1.01 for the RIM test:

We find that given FPL's 1995 planning assumptions, the resulting benefit/cost ratios of 1.01 for the RIM test, 0.84 for the TRC test, and 1.35 for the participant test are overstated because the cost reduction measures that FPL has proposed are not appropriate. Implementing DSM programs that pass the RIM test, in theory, reduces rates for all customers from what they otherwise would have been. However, programs that marginally pass the RIM test leave no room for error in avoided costs or demand reduction assumptions.

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CONCLUSION

We find that FPL's proposed allocations, which reduce the program costs in order to make the BuildSmart program cost-effective, are not appropriate. Therefore, FPL's request for approval of its BuildSmart program is denied.

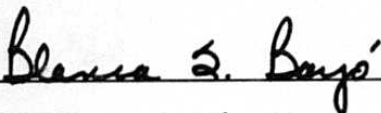
Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power & Light Company's petition for approval of its BuildSmart program is denied. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that in the event this Order becomes final, this Docket shall be closed.

By ORDER of the Florida Public Service Commission, this 27th day of January, 1997.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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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 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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on February 17, 1997.

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 substantially 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.