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Florida Apartment Association
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December 29, 1997

Ms. Blanca A. Bayo
Florida Public Service Commission
Director of Division of Records and Reporting
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RE: Florida Public Service Commission
Petition on Proposed agency action
Docket No. ~~970000~~-EG (Also reference correspondence of 12-5-97)

The Florida Apartment Association ("FAA") hereby petitions the Florida Public Service Commission ("Commission") to deny Florida Power & Light ("FPL") Company's proposal to modify the Duct System Testing and Repair Program as presented.

The grounds for this petition are: The FAA, representing more than 2000 member communities and the more than 250,000 multi-family residences in these communities throughout the FPL service area, has a substantial interest in whether this program is modified as requested by FPL. These residences and communities will be adversely affected by approval of FPL's request, by substantially raising the costs for participation in the Duct System Testing and Repair Program, reducing the energy efficiencies otherwise attainable, and leading to unnecessarily high utility bills.

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The FAA has a substantial interest in managing communities that provide affordable housing. Utility costs typically consume a higher percentage of multi-family residents' incomes versus the typical single-family residents'. The proposed 42% reduction in program incentives would likely need to be offset by community owners, and

these costs would likely be passed on to residents via rent increases. Another, more likely scenario would be a dramatic reduction or even cessation of program participation by the multi-family community, a substantial decline from the approximately 20,000 multi-family participants in 1997.

The FAA also requests that the commission consider disputed issues of material fact as follows:

- FPL estimates of cost-benefit test ratio (in particular, the R.I.M. test) are inaccurate, as the substantially reduced cost per duct system improvement incurred for testing, diagnosing, inspection, administration/billing, and advertising and marketing for mass or multi-family units vs. those incurred per single-family unit are not adequately represented in the test figures as reported by FPL.

  The modified program request was filed with the Commission, by FPL, on May 6, 1997, to amend the program as approved in November 1995. The figures overwhelmingly, if not exclusively, represent data collected from single-family residences, as substantial mass (multi-family) project participation (with a few notable exceptions) did not begin until April-May 1997. Significant data from these units is not adequately represented, and the ratios do not accurately reflect the current situation.

  For example, FPL has reported to the Commission that the testing fee expense per test for all residential participants is $55 per test, with the participant paying $30 for the test fee to FPL, and FPL providing the remaining $25 (to be recovered via the Energy Conservation Cost Recovery clause of the Florida Energy Efficiency Conservation Act (Section 366.80-85, 413.519, Florida Statutes 1995.)

  Based on the average FPL testing earning approximately $30-32,000 per year, with total FPL costs as employer being approximately $40,000, and based on an average of 240 paid days per year (working, vacations, holidays, etc.) this would represent approximately $165/day cost per tester. The average tester typically completes 2.5-3.5 single family duct tests per day. The average single-family test takes approximately 45-50 minutes to

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complete, and combined with drive time, lunch hour, and approximately 1 hour of paperwork per day, their productivity is fairly well fixed at this rate $165.00 per day divided by the average of three tests per day equals $55 per test. This would seem to be a reasonable cost for single family test.

However, the average multi-family project, with 100 participating units on site, allows the tester to remain at the job site all day, eliminating drive time (excluding lunch), provides ready access via property management personnel, typically redundant duct system layout and construction (relatively similar leakage sites, diagnosis, and therefore incentive certificates), and takes approximately 30 minutes to complete (due to tester familiarity with type of system). The next location to be tested is literally right next door. It is due to these reasons that the typical multi-family tester can complete 10 tests per day, assuming they are at the job site all day.

The cost per tester is still approximately $165 per day, but instead distributed among three participants, there are 10 ($55 vs. $16.50 per test). However, with the muti-family participants paying the same $30 test fee each as the single-family participants, the multi-family residents actually become a profit center, not an expense, for the overall testing program. (10 tests X $30 fee to FPL each=$300 + additional $25 per test recovered through program by FPL X 10=$250. $300+$250=$550 total testing fee revenue per tester per day to FPL, $165 total expense=$385 profit per tester per day to program, and $38.50 profit per test per day.) Multiply this times the approximately 20,000 multi-family participants for 1997, and there is an unreported profit of $770,000 that should be applied to the cost/benefit testing analysis. Combined with the reported $55 total per unit cost amount FPL presented to the Commission, this would represent an aggregate error of $1,870,000.

Similar benefits due to economies of location and scale are derived for other expenses listed per typical participant, including, but not necessarily limited to, inspection of work (commonly have access to multiple attic ductwork spaces from one access), marketing and promotion, administration, etc. These benefits should all be quantitatively factored into any analysis.

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- **The FAA also disputes FPL's amended estimate of 467 Kwh annual avoidance per typical participant versus the November 1995 estimate of 547 Kwh.**

The figures represent an approximate 15% reduction in savings estimates per application, reportedly as monitored through analysis and evaluations. Reportedly, there are significant differences in the average Kw reductions achieved per application throughout the various statewide regions served by FPL. The FAA has been informed that internal FPL memos may exist that delineate these differences; for example, the Florida West Coast regions from Bradenton to Naples consistently demonstrate higher rates of Kw avoidance per application than those conducted in Dade county.

Should these discrepancies exist, whether due to climatic differences, closer adherence to program guidelines, contractor experience/ training, etc., the Commission should be made aware of them, as well as any FPL memos or correspondence pertaining to them, as these analyses are the basis for the cost-effectiveness tests themselves, and should be conducted equally among the various FPL regions serviced.

There are also questions whether the analysis/surveys were conducted over a statistically proper, geographically representative area throughout FPL's service area, or whether they primarily clustered around a relatively smaller area, such as Dade/Broward counties.

- **The FAA also disputes FPL's contention that a 42% reduction in incentives is necessary to achieve cost-effectiveness as measured by the R.I.M. test.**

Inaccurate though they may be, evaluations conducted between November 1995 and April 1997 reportedly show an approximate 15% reduction in Kw avoidance per application vs. the 1995 estimate. Subtracting this percentage from the proposed 42% average incentive reduction, there does not appear to be a detailed explanation offered for the remaining 28% reduction in incentives requested. What does this figure represent?

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The basis for any previous assumptions cited to account for the variances in the estimated Kw avoidance per application, 15%, and overall incentive reduction requested, 42%, should be brought to the Commission's and general public's attention, with detailed examples of how the pertinent issue(s) will effect the cost-effectiveness tests and commensurately justify the requested changes in incentives of an additional 28% (especially since they would have supposedly occurred over a matter of 16 months or less.) Detailed and verifiable evidence should be presented for any unspecified or generalized assumptions.

In disputing FPL's contentions that have led to FPL's requests, the FAA also questions whether some of the costs attributed to the Duct System Testing and Repair Program were actually incurred within the program.

Testers and inspectors routinely attend FPL meetings on a number of subjects, each varying in duration, occasionally lasting one to several days. Are their wages for these days charged as costs to the program? When these personnel are taken from the field and used to answer high-bill complaint calls, do surveys or paperwork for other programs (insulation, etc.), attend non-duct program related classes, etc., are these costs segregated away from or added to program costs? If not segregated, they should not be included as program costs.

The FAA also questions whether there are any additional economic benefits from the Duct Testing and Repair Program retained by FPL that have not been factored into the cost-benefit analysis; i.e., does FPL qualify to participate in the Federal Clean Air Act pollution credit program, and does FPL have the potential to sell or utilize any such credits derived from the duct system testing and repair program analysis to reduce overall costs of the program?

- **The FAA alleges that the FPL cost-effectiveness test ratios, as reported in the request to modify the Duct System testing and repair Program, do not accurately reflect the program as it currently exists.**

The figures do not adequately take into account the multi-family

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participants and their effect on the cost-effectiveness equation. The reported figures themselves are suspect, as they may have been taken primarily and predominantly from a relatively small part of the FPL service area, and thus do not statistically represent the program as a whole. FPL itself is reported to possess documentation, studies, and/or correspondence describing consistent and significant differences in average Kw avoidance per application among the various regions FPL serves. If the test figures were predominately drawn from a small area (particularly one with comparatively lower average Kw avoidance figures per application), the figures cannot be assumed to be properly indicative of the program.

The FAA also asserts that it is very unlikely that in less than 16 months' time (November 1995-April 1997), any factors have come into being that would justify an additional 28% reduction in incentives, and challenges this assumption. (If it is allowed that Kw avoidance is approximately 14-15% less than expected per application.) The FAA also requests a detailed accounting of other reported costs assigned to the program, and any information available regarding any economic benefits (Clean Air Act Pollution credits, etc.) which may or may not be present via the Duct System Testing and Repair Program's Kw avoidance and reduced emission benefits.

- The FAA hereby seeks relief by petitioning the Commission to deny FPL's proposal to modify the Duct System Testing and Repair Program until such time that a hearing can be held on these matters before the Commission.

- The FAA, and its representatives, have been notified by several FPL field reps that the proposed modifications would effectively end multi-family participation in the program. As we have demonstrated, this is a very cost-effective market to help achieve energy efficiency. As rate-payers, this market should not be ignored, and the FAA is interested in assisting the Commission and FPL in bringing about a more cost-effective program if possible without any unnecessary exclusions.

The FAA's position is that there are a number of ways the program in general, and the multi-family community in particular, can

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become more cost effective, without denying participation to an entire group of rate-payers. The FAA requests that the Commission and FPL consider the following potential scenarios:

1) If upon after further scrutiny, the program incentives are still found to be in need of reduction, rather than cut each measure's incentive, start by reducing the maximum incentive from $200 to $165. This still provides an adequate incentive, while maintaining each individual measures' incentive until the $165 amount is reached. FPL has done this previously in reducing the maximum from $225 to $200.

2) Adopt a 10% random testing/inspection program for multi-family units. Since the systems are typically redundant (primary differences are between layouts of 1, 2, 3-bedroom units), a sampling of 10% of the units will provide a template for what the typical repairs should be for each layout. If a contractor encounters a situation that is substantially out of the ordinary, he/she can document it and ask a FPL rep to survey any such units as the project is nearing completion. The net effect of this is to maximize the FPL personnel's efficiency, and substantially reduce testing cost for the program.

   Example: 100 unit qualifying complex
   10 units tested
   Average 1 day of FPL tester's time at $165 cost
   =$1.65 per unit testing-costs incurred vs. $16.50 currently

3) In conjunction with #2:
   Set a flat rate for multi-family incentives. Combined with the 10% testing schedule, this is the easiest, most cost-effective way to reduce program costs, while continuing to ensure multi-family communities' participation. Either a $140 incentive, while keeping the $30 charge to residents, or a $125 incentive, with the test fee dropping to $15, would serve to substantially reduce costs, while

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providing program benefits. These types of multi-family programs have been previously employed by other utility companies, and seem to be productive for all concerned parties.

4) Reduce the costs of program-related personnel, advertising, and marketing to the multi-family market. Currently, there are a number of FPL representatives who regularly canvass or "cold call" communities in person with contractors in attempts to generate interest in the program. While the attention at times is appreciated, unexpected or cold call visits can also be disruptive to management personnel, are cost intensive, and unnecessary. Contractors provided with information on the program should approach the properties initially, with a contact phone number for a FPL representative to answer any further questions. A single rep could then service a much larger area, freeing up many salaried people whose efforts may be more productively used elsewhere, and reducing personnel costs charged to the program.

   There are FPL representatives in several areas serviced by FPL who deliver each incentive certificate in a very professional, attractive, and very likely expensive brochure packet containing a large amount of program-related sales literature on glossy material. The packets (with inserts) are estimated to cost $5.00 or more apiece, and are unnecessary. Most of these are quickly discarded after delivery. The information and certificates can be provided without the portfolio packets, and the pertinent information can be read from copies, bound by staple. This would also serve to reduce program-related costs per application.

These types of multi-family programs have been previously employed by other utility companies, and seem to be productive for all concerned parties.

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Perhaps a cost-benefit analysis utilizing all the pertinent data can be executed to see if such a program could be implemented. The FAA is interested in the Commission's and FPL's input regarding this issue.

The FAA received notice of the Commission's proposed agency action via fax on November 17, 1997.

Signed: Jan Milbrath

Ms. Jan Milbrath
President
Florida Apartment Association

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