

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for approval of numeric conservation goals by Gulf Power Company. | DOCKET NO. 040032-EG
ORDER NO. PSC-04-0764-PAA-EG
ISSUED: August 9, 2004

The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman
J. TERRY DEASON
LILA A. JABER
RUDOLPH "RUDY" BRADLEY
CHARLES M. DAVIDSON

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING NUMERIC CONSERVATION
GOALS FOR GULF POWER COMPANY

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

Case Background

Section 366.82, Florida Statutes, part of the Florida Energy Efficiency and Conservation Act (FEECA), requires us to adopt goals to increase the efficiency of energy consumption, increase the development of cogeneration, and reduce and control the growth rates of electric consumption and weather-sensitive peak demand. Pursuant to Section 366.82(2), Florida Statutes, we must review a utility's conservation goals not less than every five years. These statutes are implemented by Rules 25-17.001 and 25-17.0021, Florida Administrative Code.

We first established numeric conservation goals for Gulf Power Company (Gulf) in Order No. PSC-94-1313-FOF-EG, issued October 25, 1994, in Docket No. 930550-EG, In Re: Adoption of Numeric Conservation Goals and Consideration of National Energy Policy Act Standards (Section 111) by Gulf Power Company, aff'd, Legal Environmental Assistance Foundation, Inc. v. Susan F. Clark, et al. as Florida Pub. Serv. Comm'n, 668 So. 2d 982 (Fla. 1996). In that order, we found:

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We will set overall conservation goals for each utility based on measures that pass both the participant and RIM tests. The record in this docket reflects that the difference in demand and energy savings between RIM and TRC portfolios are negligible. We find that goals based on measures that pass TRC but not RIM would result in increased rates and would cause customers who do not participate in a utility DSM measure to subsidize customers who do participate. Since the record reflects that the benefits of adopting a TRC goal are minimal, we do not believe that increasing rates, even slightly, is justified.

We set numeric conservation goals for Gulf a second time in Order No. PSC-99-1942-FOF-EG, issued October 1, 1999, in Docket No. 971006-EG, In Re: Adoption of Numeric Conservation Goals by Gulf Power Company. In setting Gulf's goals, we accepted a stipulation between Gulf and the Legal Environmental Assistance Foundation. Again, Gulf's numeric goals were based on measures that passed the participant and Rate Impact Measure (RIM) tests.

The instant docket, opened on January 13, 2004, represents the third time that we will set numeric conservation goals for Gulf. On June 1, 2004, Gulf timely filed its new numeric goals. Gulf also filed testimony and exhibits in support of the proposed goals.

This Order addresses Gulf's petition for approval of its numeric conservation goals. We have jurisdiction over this matter pursuant to Sections 366.81 and 366.82, Florida Statutes.

Numeric Conservation Goals

In developing its numeric conservation goals, Gulf selected the measures to be evaluated which were identified by the Commission when it set goals in 1999. Gulf determined its avoided costs by selecting the next planned capacity addition from its 2004 Ten-Year Site Plan, a combustion turbine with an expected 2009 in-service date. Gulf's initial cost-effectiveness screening of these 120 measures resulted in eight measures for residential customers, and 26 commercial/industrial measures, which passed both the RIM and participant tests. Gulf then performed a final review using more current market data and building codes. In addition, the expected savings and participation rates were adjusted to reflect overlapping measures, and any expected rebound and free rider effects. Several measures were dropped as a result of this final analysis. The seasonal demand and annual energy savings associated with these cost-effective measures were summed by market segment to arrive at Gulf's proposed goals, as indicated below.

PROPOSED CONSERVATION GOALS – CUMULATIVE

| Year | Residential | | | Commercial / Industrial | | |
|------|-------------|-----------|------------|-------------------------|-----------|------------|
| | Summer MW | Winter MW | Annual GWh | Summer MW | Winter MW | Annual GWh |
| 2005 | 5.9 | 7.2 | 3.1 | 10.7 | 5.2 | 2.1 |
| 2006 | 11.8 | 14.4 | 6.2 | 17.5 | 8.5 | 4.1 |
| 2007 | 17.7 | 21.7 | 9.2 | 22.3 | 10.7 | 6.5 |
| 2008 | 23.6 | 28.9 | 12.3 | 23.1 | 11.0 | 8.9 |
| 2009 | 29.5 | 36.1 | 15.4 | 24.0 | 11.3 | 11.3 |
| 2010 | 35.0 | 42.8 | 17.9 | 24.8 | 11.5 | 13.6 |
| 2011 | 40.5 | 49.4 | 20.4 | 25.7 | 11.8 | 16.0 |
| 2012 | 46.0 | 56.1 | 22.8 | 26.5 | 12.0 | 18.4 |
| 2013 | 51.4 | 62.7 | 25.3 | 27.3 | 12.3 | 20.8 |
| 2014 | 56.9 | 69.4 | 27.8 | 28.2 | 12.6 | 23.2 |

A comparison of Gulf's current and proposed conservation goals is shown below. Gulf has not met its existing cumulative residential or commercial/industrial demand goals, or its residential energy goals. Gulf has recently begun meeting its annual commercial/industrial goals, but Gulf is not meeting its annual residential goals, due primarily to lower than expected results from two programs, the GoodCents Select and Ground Source Heat Pump programs. Gulf has revised the expected participation levels in these two programs based on recent experience, resulting in a significant reduction in Gulf's proposed residential demand and energy goals, as indicated in the table below. Gulf's proposed commercial/industrial demand goals have also been reduced. Gulf has reduced the expected demand and energy savings for its commercial/industrial GoodCents Commercial Building program due to future changes in the building code. These increased efficiency standards take effect for heat pumps and air conditioners in 2006, and will reduce the expected participation levels, and demand and energy savings for Gulf's GoodCents Commercial Building program. In addition, Gulf included interruptible service in its existing goals, but has not included this program in its proposed demand-side management (DSM) goals. The demand savings from interruptible service in Gulf's existing goals was attributed to one customer with a special service agreement. This contract has expired, and Gulf has not identified additional opportunities for interruptible service.

COMPARISON OF CURRENT AND PROPOSED CONSERVATION GOALS

| Year | Residential | | | Commercial / Industrial | | |
|---------------------------------------|-------------|-----------|------------|-------------------------|-----------|------------|
| | Summer MW | Winter MW | Annual GWh | Summer MW | Winter MW | Annual GWh |
| Existing (cumulative 2000-2009) | 125.9 | 145.9 | 113.1 | 44.8 | 35.8 | 19.3 |
| Proposed (cumulative 2005-2014) | 56.9 | 69.4 | 27.8 | 28.2 | 12.6 | 23.2 |

We have reviewed the programs, assumptions, and evaluation methodology used by Gulf and find them to be reasonable. The DSM measures evaluated are based on an adequate assessment of the market segments and major end-use categories in accordance with Rule 25-17.0021(3), Florida Administrative Code. In addition, as required by the rule, Gulf's analysis adequately reflects consideration of overlapping measures, rebound effects, free riders, interactions with building codes and appliance efficiency standards, and Gulf's latest monitoring and evaluation of conservation programs and measures. Gulf's chosen avoided unit and the associated assumptions reflect the information provided in Gulf's latest Ten-Year Site Plan and are reasonable. Gulf appropriately used the RIM test to determine the cost-effective level of achievable demand-side management (DSM) goals. Therefore Gulf's proposed conservation goals are hereby approved.

Rule 25-17.0021(4), Florida Administrative Code, requires each FEECA utility to submit for our approval a demand-side management plan designed to meet the utility's approved goals, within 90 days of the issuance of our order approving conservation goals. In accordance with the rule, Gulf is required to submit its demand-side management plan within 90 days of the order consummating this Proposed Agency Action Order. Gulf's plan shall also specify the DSM programs which will be offered by Gulf in order to meet its approved DSM goals for 2005 through 2014. The plan shall also provide information about each program, as specified in Rule 25-17.0021(4), Florida Administrative Code, including: 1) details of the policies and procedures of the program; 2) the number of eligible customers; 3) participation estimates; 4) demand and energy savings estimates; 5) a methodology for measuring the actual program savings; and, 6) cost-effectiveness estimates.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Gulf Power Company's proposed annual numeric residential winter demand, summer demand, and annual energy

conservation goals for the period 2005 through 2014 shall be approved as set forth in the body of this Order. It is further

ORDERED that Gulf Power Company's proposed annual numeric commercial/industrial winter demand, summer demand, and annual energy conservation goals for the period 2005 through 2014 shall be approved as set forth in the body of this Order. It is further

ORDERED that Gulf Power Company is required to file a demand-side management plan within 90 days of the issuance of the order consummating this Proposed Agency Action Order. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that this docket shall remain open to allow the Commission to address Gulf Power Company's demand-side management plan.

By ORDER of the Florida Public Service Commission this 9th day of August, 2004.

BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

By: Marcia Sharma
Marcia Sharma, Assistant Director
Division of the Commission Clerk
and Administrative Services

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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 that is available under Section 120.57, 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 will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 30, 2004.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.