BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

COMMISSION REVIEW OF NUMERIC CONSERVATION GOALS (FLORIDA POWER & LIGHT COMPANY).	DOCKET NO. 080407-EG
COMMISSION REVIEW OF NUMERIC CONSERVATION GOALS (PROGRESS ENERGY FLORIDA, INC.)	DOCKET NO. 080408-EG
COMMISSION REVIEW OF NUMERIC CONSERVATION GOALS (TAMPA ELECTRIC COMPANY).	DOCKET NO. 080409-EG
COMMISSION REVIEW OF NUMERIC CONSERVATION GOALS (GULF POWER COMPANY).	DOCKET NO. 080410-EG
COMMISSION REVIEW OF NUMERIC CONSERVATION GOALS (FLORIDA PUBLIC UTILITIES COMPANY).	DOCKET NO. 080411-EG
COMMISSION REVIEW OF NUMERIC CONSERVATION GOALS (ORLANDO UTILITIES COMPANY).	DOCKET NO. 080412-EG
COMMISSION REVIEW OF NUMERIC CONSERVATION GOALS (JEA).	DOCKET NO. 080413-EG

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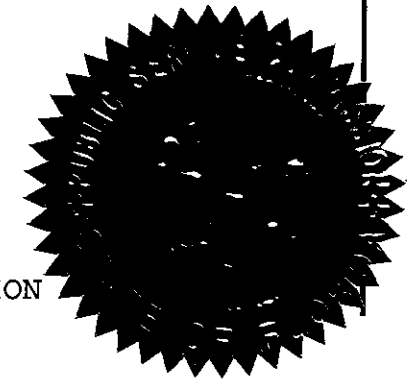

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PROCEEDINGS:	HEARING
BEFORE:	CHAIRMAN MATTHEW M. CARTER, II COMMISSIONER LISA POLAK EDGAR COMMISSIONER KATRINA J. McMURRIAN COMMISSIONER NANCY ARGENZIANO COMMISSIONER NATHAN A. SKOP
DATE:	Monday, November 3, 2008
TIME:	Commenced at 9:30 a.m. Concluded at 12:17 p.m.
PLACE:	Betty Easley Conference Center Room 148 4075 Esplanade Way Tallahassee, Florida
REPORTED BY:	JANE FAUROT, RPR Official FPSC Reporter (850) 413-6732

APPEARANCES:

SUSAN CLARK, Radey, Thomas, Yon and Clark, 301 South Bronough Street, Suite 200, Tallahassee, Florida 32301 appearing on behalf of FEECA Utilities.

LEON JACOBS, with the firm of Williams and Jacobs, appearing on behalf of the Natural Resources Defense Council and the Southern Alliance for Clean Energy.

JOHN WILSON, TOM LARSON and GEORGE CAVROS, appearing on behalf of the Southern Alliance for Clean Energy.

KATHERINE FLEMING, ESQUIRE, FPSC General Counsel's Office, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, appearing on behalf of the Commission Staff.

I N D E X

EXHIBITS

NUMBER:	ID.	ADMTD.
(No exhibits)		

P R O C E E D I N G S

CHAIRMAN CARTER: Good morning. I'd like to call this meeting to order, and welcome everyone. I hope everyone is doing fine on this nice beautiful morning.

Staff, would you please read the notice.

MS. FLEMING: Pursuant to notice issued by the Commission Clerk, this time and place has been set for the purpose of conducting a Commission workshop regarding the review of the numeric conservation goals in Docket Numbers 080407 through 080413. The purpose of the workshop is set forth more fully in the notice.

CHAIRMAN CARTER: Thank you so kindly.

Let's do this: Let's be hospitable, and we will start to my left and have you guys introduce yourselves as we go forward, and we will end up to my right.

Good morning.

MS. CLARK: Good morning, Mr. Chairman. My name is Susan Clark. I'm with the law firm of Radey, Thomas, Yon and Clark. Our address is 301 South Bronough Street, Suite 200, Tallahassee, Florida 32301.

I'll be giving the presentation on behalf of the FEECA utilities, but I have to my left a number of representatives from those utilities who will chime in as they need to. They are not going to make an appearance at this time, but they are there for assistance. So I think it would

go all the way down to Mr. Jacobs.

CHAIRMAN CARTER: Mr. Jacobs, good morning, sir.

MR. JACOBS: Good morning, Commissioners.

My name is Leon Jacobs. I'm with the firm Williams and Jacobs. I'm here today on behalf of the Natural Resources Defense Council and the Southern Alliance for Clean Energy, as you well may know have petitioned for intervention in these series of dockets. With me today is Mr. John Wilson from the Southern Alliance for Clean Energy, and Mr. Tom Larson, also with the Southern Alliance for Clean Energy, and soon to join us will be Mr. George Cavros. I will give way to Mr. Wilson, who will actually do the presentation that is scheduled later on in the afternoon -- in the morning, rather.

CHAIRMAN CARTER: Thank you so kindly. Welcome to everyone.

Staff, are there any other preliminary matters? I do know, just FYI, Commissioners, at any point during the presentations, if you have any questions, we can just, you know, stop and ask at that point in time. And, also, for the record, staff will be asking questions, as well. Any further preliminary matters?

MS. FLEMING: Chairman, I'm not aware of any other preliminary matters. I would just like to note that we have provided a copy of the revised agenda, and I believe the PowerPoint presentations are available to anyone who wishes to

get a copy.

CHAIRMAN CARTER: Does everyone have the agenda? We are going to follow it as printed, so we don't need to kind of recalibrate it, but if everyone has the revised agenda. Commissioners, you have that, as well? With that we are ready to proceed.

Staff, who's on first?

MS. CLARK: I think I'm on first.

CHAIRMAN CARTER: Susan, you are recognized.

MS. CLARK: Yes, and we have provided you copies of the PowerPoint. I hope it is in your notebooks. We'd like to thank you for the opportunity to make this presentation to you today. We have been asked to provide a status report on the technical potential study and to discuss particular statutory provisions regarding evaluations and considerations to be taken into account in developing goals for energy efficiency and conservation.

Let me start out by giving an update on the collaborative that was formed to complete the first step of the DSM goals setting process, which is to determine the technical potential for demand-side management in Florida. The collaborative is made up of the seven FEECA utilities which are listed on this slide, as well as the Southern Alliance for Clean Energy and the National Resource Defense Council. Your staff has also participated in the weekly meetings held by the

collaborative and we certainly appreciate their input in that process.

One of the first activities done by the collaborative was to develop and issue an RFP to perform the technical potential study. The RFP was sent to eleven companies, all of which were suggested and approved by the members of the collaborative. If you want a listing of all those companies, I can give it to you, but I won't do it now unless you want me to. We got four responses with the team of ITRON/KEMA being selected. Several companies elected not to respond due to the tight time frame.

Now, in order to determine DSM goals for each utility, there are several types of DSM potential that must be determined. As this diagram shows, DSM potential studies start by looking at what is technically feasible and then progresses to understand what makes economic sense, and then what can realistically be achieved by utility programs. Another key component is understanding the energy efficiency activities that are being done by customers on their own.

The outer ring of this bull's-eye is technical potential. The technical potential study determines DSM measure saturation and engineering feasibility. I'll discuss this study in more detail on the next slide.

Once the technical potential has been determined, the next step in the process is to determine which DSM measures are

cost-effective when compared to the supply-side alternatives. The achievable potential is a subset of the economic potential based on specific program funding and measure incentive levels as well as incorporating real world customer behavior.

Lastly, we will need to understand the amount of reduction estimated to occur as a result of natural market forces, that is in the absence of any utility programs. Each one of these studies builds on its predecessor and the determination of viable DSM goals requires each type of potential to be understood.

Let me spend a little time reviewing the potential study the collaborative is currently working on. Technical potential is really the upper limit of energy efficiency in Florida. And by upper limit, I mean that it is the total amount of energy savings that would be possible if all technically feasible opportunities to improve energy efficiency were taken, including retrofit measures, replace on burnout measures, and new construction measures. Technically feasible is understanding where the installation of a DSM measure is or is not practical considering things such as available space, noise consideration, and lighting level requirements. This is irrespective of the cost of any measures.

It is important to note that technical potential is not limited by product availability or customer preferences. It is strictly an understanding of what is feasible from an

engineering perspective. A rigorous technical study sets a solid foundation for the subsequent economic and achievable potential studies that will be done.

To complete a technical potential study there are a number of data requirements that must be gathered. A critical design element of this study was the decision to develop the base line using a bottom-up approach. With this approach an estimate of each utility's sales and peak demand is built up based on the end use technologies as well as housing counts, commercial floor stock, and the saturation of end use technologies. Once this base line is developed it is calibrated for each utility based on their actual sales and peak demand. This differs from a top down approach, which starts with the utility's sales and peak demand and assigns arbitrary percentages to each end use technology.

In addition, the technical potential study is quantifying the key metrics needed for each measure that will be used in the economic potential study. This includes the measure's costs, its demand in energy savings, under what conditions it is feasible to implement, and the measure in its current saturation in each utility's service territory.

Here's a little more detail on the technical potential study. This slide shows how the measures are being segmented. In addition to segmenting the analysis by customer type, and that is residential, commercial, and industrial,

measures are also being further segmented by building types, such as single-family detached, attached, and mobile homes, new versus existing construction, and, finally, major end use category. Once again, this is being done for all seven utilities.

The technical potential study has taken longer than was originally planned. A key driver of this is the large amount of measures that were identified by each member of the collaborative for inclusion in the study. We wanted to cast as wide a net as possible and include all viable measures. A total of 276 are being evaluated. This includes measures that were identified in the Synergic Research Company study of Florida which was done for the first DSM goal setting process.

Now, a lot of attention has been paid to demand-side renewable resources, and it is worth noting to you that the scope of the technical potential includes solar hot water heaters and PV powered pool pumps in the area of renewables. However, stand-alone PV systems are not directly addressed because they are not cost-effective under either the total resource cost test or the rate impact test. But we can add them back into the study if the Commission so desires.

Now, of the 276 unique measures being evaluated, there is a good distribution among the three customer classes. For each of these measures the technical potential study will qualify those measure characteristics that I discussed on the

prior slide.

Our vendor, ITRON/KEMA, has done numerous technical potential studies across the USA, and they provided input into the list of measures to be addressed. The resulting 276 measures that we will be evaluating include 58 measures that ITRON has not evaluated in previous studies. We expect the final technical potential study to be completed in early December.

Let me talk a little bit about the commercial on-site surveys. Unlike the residential segment where the utilities in Florida do comprehensive appliance saturation surveys every four years as required by this Commission, there does not exist similar data for commercial customers. Early on the collaborative realized that there was a need to collect base line equipment saturation data for these customers. The collaborative included as part of the work to be done by ITRON/KEMA a 600 point on-site survey of commercial facilities throughout the state. Considerable time was spent by the collaborative early on in survey development and testing. These on-site surveys are being administered by KEMA. The survey data will be used to refine the technical potential, but we realize that most of its value will be in the achievable potential study.

As of this date, over 500 on-site surveys have been completed, and we expect the final completion of the 600 in

February. Now, as the surveys are being done they are being incorporated into the study, and a first cut of the final study will be made without all of the surveys in, but the final report will be revised to include the data that we expect by February of 2009.

Now, in addition to briefing you on where things stood with the technical potential study, the utilities were asked to discuss several policy issues regarding energy efficiency. The first one on the agenda is the utilities' plans to determine goals for supply-side generation and transmission and distribution. While opportunities to increase the energy efficiency of energy supply may exist, a methodical process to determine the potential for cost-effective goals does not yet exist in a robust enough forum such that utilities can complete the required analysis in time to include it in their goal-setting filing.

The provisions of House Bill 7135 do provide the opportunity to use supply-side measures in meeting the 20 percent of load growth goal for an ROE adder. Utilities are supportive of this provision, and it should be preserved as an incentive to consider supply-side projects, but it should not be a requirement. We don't read the statute as requiring supply-side goals.

To further elaborate on supply-side efficiency measures, as part of any supply-side goal setting process,

consideration needs to be given to efficiencies that are already built into the evaluation process in the areas of generation, transmission, and distribution. There should also be a consideration of what constitutes an energy efficiency improvement for the various components of the supply-side. It could be projects that improve heat rates, reduce losses, or improve availability. The utilities are interested in pursuing these opportunities. However, for the reasons just given, consideration of supply-side goals should be addressed separately from demand-side goals.

I know this is a bit of a busy slide, but this is a flow chart to address Item 3 on your agenda, and that is the utilities' plan to use the results of the technical potential study to determine the economic and achievable potentials. As you can see, it is quite involved, and time-consuming. The first step is to determine a supply resource plan for beyond 2009 without DSM. This becomes the basis for determining when the generation needs are that DSM will be compared to in determining cost-effectiveness.

Once the supply plan has been determined, the economic potential will be developed. This involves determining which measures are cost-effective when compared to supply-side alternatives. The output of the economic analysis is a set of measures that are cost-effective under Commission-approved tests. This provides input to the

achievable potential analysis. This flow chart shows the achievable potential analysis being done for two existing Commission-approved cost-effectiveness tests. The Rate Impact Measure test and the Total Resource Cost test done in combination with the participants tests.

These cost-effectiveness tests are used to determine participant incentive levels which are key inputs into the achievable potential analysis. At the completion of the achievable potential analysis, the individual portfolios are then compared to the supply-side plan. The last step in the flow chart shows the actual preparation of the utilities' goals. As you can see, it's a multi-step, and, again, a time-consuming process. By potentially continuing the existing collaborative, and working through this process, we are hopeful it will be a less contentious hearing at the back end of this process.

Next to each of the major activities on the chart we have indicated the time we anticipate it will take to complete each one. Based on discussions with staff, this will result in the goals filing date which is later than currently contemplated by the staff, but we believe our proposed schedule provides sufficient time to hold the necessary hearings and have the goals in place by 2010. And we would request that you give the schedule that we provided up there consideration.

Before we go on to slide four, let me comment on

something and a question that has come up recently regarding the impact of lower load forecasts on the level of cost-effective DSM. The bottom line is we won't know what the impact will be until we do the analysis. There are two opposing factors that will be taken into account in the utilities' current DSM goals-setting process that have not been in play during prior DSM goal analysis.

These factors are lower projected load growth and, secondly, higher costs for new generation. If you have lower load growth, all else being equal, it would tend to lower the amount of cost-effective DSM. On the other hand, if you are projecting higher costs for new generation, all else being equal, this would tend to raise the amount of cost-effective DSM. Only after the utilities conduct their analysis can it be determined which of these two opposing factors will have more influence. In addition, the net impact of these two factors could be different from one utility to another, depending on their projected need and the type of generation they would add.

Let me move on to Item 4 on the agenda. House Bill 7135, which amended Section 366.82, now requires utilities to address the cost and benefits to customers participating in a DSM program. We feel that the existing Commission-approved participant test perfectly aligns with this requirement of this section, and this is something the Commission has already required. This test looks at the savings a participant

receives in terms of electric bill savings, the incentive paid by the utility, and any tax benefit, and then compares it to out-of-pocket costs.

Now, regarding Item 5, Section 366.82(3)(b) requires the utility to evaluate the cost and benefits to ratepayers as a whole, including utility incentives and participant contributions. The utilities have looked at other states to determine if there are other tests being used that address the entirety of this section with a single cost-effectiveness test. We have not found an appropriate test. Florida's current tests, which are the TRC, RIM, and participant tests, provide all the needed information to evaluate the economic and fiscal impacts from the participant, nonparticipant, and total customer perspectives. Using these tests should eliminate the need to develop a new test. This section does not mandate a new test under our view. It merely addresses what needs to be considered in looking at cost-effectiveness.

In addition, we believe no other test besides the RIM test can balance customer interests and control impacts to the customers' electric rates and bills more transparently, equitably, or comprehensively. We believe the tests are the right information to balance customer interests and make sound screening decisions. By selecting appropriate thresholds, the current tests can prevent cross-subsidies between customers and also limit rate impacts to all customers.

When the utilities file DSM goals based on the required cost-effectiveness test along with the supporting information regarding the rate impacts, emissions, and the potential for incremental savings, at that time we believe the Commission will have all the facts necessary to determine appropriate goals.

Let me turn now to Item 6. We take House Bill 7135 to be principally aimed at CO2. To date, no market has been established for carbon dioxide emissions trading. Currently when a utility brings a need determination before the Commission, an integral component of its request is to project potential costs associated with complying with expected carbon dioxide emission regulation and to utilize these potential costs in the economic analysis of the generation options. To incorporate a potential carbon dioxide emission allowance -- or emission compliance cost into energy efficiency cost-effectiveness evaluations, the utilities could use the need determination methodology for determining potential costs. The Commission's current cost-effectiveness test can readily incorporate the potential system carbon dioxide cost impacts in the appropriate cost-effectiveness test.

When CO2 emissions are included in a cost-effective analysis, a single forecast should be used. We don't think it is appropriate to do the analysis using multiple forecasts because it would significantly increase the analysis work, and

we do not anticipate that such analysis would significantly change the results.

Now, the last item on our presentation today deals with the need for incentives for both the customer and the utility. Let me address incentives for participating customers first, which is on this slide. Customers need the incentive to consider and implement energy efficiency and renewable resources beyond that which is code required or the typical measure that would otherwise be installed. The incentive should be large enough to encourage the customer to make the correct decision while maintaining prudent cost-effectiveness for the utility and its other customers.

The incentive should be set at a level that minimizes free riders; that is, we should not be paying customers an incentive for something they will do or should do on their own. This ties back to the early discussion on the different types of potential studies and the concept of naturally occurring potential, which is the amount of reduction estimated to occur as a result of normal market forces; that is, in the absence of any utility program.

As far as incentives for the utilities, they generally look at it addressing fixed cost-recovery and then shareholder incentives based on actual implementation of DSM. An incentive mechanism can take many forms. The most commonly used forms are shared savings of the net benefit of deferred

generation and transmission and distribution resulting from the energy efficiency deployment, or an ROE adder on rate base.

House Bill 7135 has two provisions that address utility incentives. These are included in the new Subsections 8 and 9 to Section 366.82. Between the two of them there is flexibility, and they contemplate both shared savings and premium ROE incentive mechanisms. The utilities have not made a decision on their use at this time.

Mr. Chairman, that concludes our presentation on the items that you have listed on the agenda.

CHAIRMAN CARTER: Before we go forward, Susan, and ask questions, the last point you made regarding House Bill 7135, you gave a citation. Could you give that again, please?

MS. CLARK: Yes. Let me make sure I have given you the correct one. I'll get it in front of me. I think it is 366.82, Sub 8 and Sub 9 -- Subsection 8 and Subsection 9.

Yes, those are the correct citations.

CHAIRMAN CARTER: Thank you. Commissioners.

Commissioner Edgar, you're recognized.

COMMISSIONER EDGAR: Thank you. Some slides back, Susan, you mentioned the commercial survey information that was ongoing, and I think you said that that information should be available early next year. And I was just wondering if you could speak briefly as to how that information will be used with the other pieces of the process.

MS. CLARK: As I understand it -- well, let me just be clear. We have done, as I understand it, at least 500 of those 600 on-site surveys. And the initial final report that will come out in December will have most of those, but then as all of the information is available in February that will be plugged in. And it will give information about what we can expect as far as implementation of these measures in terms of the energy and demand savings.

In other words, you know, in the residential section you do ongoing surveys to determine what your result is in terms of your estimated potential and what you are actually getting, and that's not done with the commercial. So we felt like the on-site surveys of the commercial were important to get good information.

COMMISSIONER EDGAR: And I just wanted to follow up on that point, because I agree completely, and I think that to be able to factor in the commercial user with better information and, hopefully, better predictions maybe, as to how it fits and how it can work and what all we can do to emphasize that is an important piece of the puzzle.

MS. CLARK: Good.

CHAIRMAN CARTER: Commissioners, anything further? Let me go to staff and I will come back just in case you have some memory jogs. One thing I did want to ask in relation to the -- I think it was on the last slide. On the customer -- I

think that would be Slide 15. You talked about the customer incentives. I was kind of intrigued about that. In terms of incentives for the customers, and then making those large enough, what was your thought on that? Can you give me some -- can you elaborate on that, please?

MS. CLARK: Yes. You know, I think you don't -- you don't want to pay for -- give incentives for those things the customer can and will do on their own. And, generally, as I understand it, we have estimated that to be anything that gives you a two-year pay back in terms of returning your investment on the measure generally will be done or should be done by the customer. After that, in order to incent more efficiency measures, customers need some benefit by way of an incentive or rebate from the utility to employ the measure. And that's what the incentive is to the customer. And as I indicated here, it would also include any tax rebates they would get. Whatever they see as lessening the cost to them to employ that measure.

CHAIRMAN CARTER: For example, solar hot water heaters and PV systems?

MS. CLARK: Yes. You might give a rebate on installing those through a program that you would offer in order to meet your goals.

CHAIRMAN CARTER: What about -- I'm just kind of thinking aloud. Commissioners, any time you want to stop me, I will yield on that. But I've got a train of thought going

here. What about incentivizing some of the lower income customers in need of possible financing of some of these solar entities? Do you understand the flavor of my question?

MS. CLARK: Yes, I do. And I think what is being done first is the technical potential. What is out there that could be employed? When you get into issues of where the incentive should be, then it effects is it cost-effective to do this and at what level is the incentive right that it spurs people to do that? And yet it is not -- it remains cost-effective to other customers.

Now, we have traditionally done the evaluation on strictly that kind of economic achievable potential, and the question would become when you are dealing with some of the low income, is it cost-effective both economically and is it achievable, but I do understand some utilities currently -- I think I'm right. Tampa Electric Company might have something that deals with, for instance, weatherizing low income.

CHAIRMAN CARTER: The nature of my question is such that it seems that one of the most difficult population groups to engage in renewable energy as well as, you know, practicing DSM measures is that group. If the person is, you know, turning somersaults trying to make ends meet, and you are saying, well, you know, you could save by getting solar hot water, or PV, or you could save by greater insulation, or you could save by those funky little lightbulbs, fluorescent bulbs,

is that -- I do think that that is probably a very difficult population group, although a very important population group, a very difficult population group to participate in a lot of the things that we have available.

I know that on some of the programs, for an example, they will say, well, we have a low interest loan. Well, if the person, as I said is, you know, one step away from, you know, financial catastrophe, a low interest loan won't really benefit them. And, also, there's some creative kinds of things that -- I don't know if all of the utilities do it, but there are some utilities that will go and marry the -- that's my term, is marry -- marry the low-income person with some of the consumer or community organizations like consumer services that says, well, we can't do this, but there's a program for low-income consumer services that will provide resources for that.

Also, in the context of taking advantage of grants and things like that, a lot of the low income consumers and customers don't have the knowledge base. So, I mean, these things are great, and a lot of people watch TV and see this and know what's going on, but that population group is probably less informed about these kinds of activities. So I'm kind of thinking aloud with you here, but you kind of got my attention when you said what we are doing from the consumer perspective in terms of incentivizing consumers and also making the incentive large enough to encourage them to change their

behavior. Did I read that correctly?

MS. CLARK: Yes. And I think those are factors that the utilities look at and consider when they do their analysis of what kind of measures make sense. You know, along those same lines, you have the issue of renters versus landlords in terms of making those improvements to buildings that, you know, is the particular ratepayer being the one who would be inclined to make those if they are not the owner. So those things are issues that do come up in this process of trying to determine what the appropriate goals are, and what the measures are, and what the population is that you are trying to target by these measures.

CHAIRMAN CARTER: I just think from the standpoint of when you say incentivize or using the incentive for consumers, and you want to make the incentive large enough, you want to make sure that you make the pool of consumers large enough to where it's significant. I know that in some of the things that have come before us in the last couple of years or so, some of the companies were saying we are pretty much maxed out on voluntary DSM measures, you know. And so if you are maxed out on voluntary DSM measures and the major population group that could benefit from them are not participating, then maybe we need to do something different.

MS. CLARK: And I think part of that is education, certainly. And I think the energy audits go a long way to do

that. I recently had an energy audit done, not at my home, but another home, and it does really help to educate people about what is possible and what is being offered by the utilities to help them with the upfront costs that over some time will result in the least cost to them.

CHAIRMAN CARTER: Thank you.

Commissioners, I forgot my other questions, so I'm going to defer to staff, unless you have --

Commissioner Argenziano.

COMMISSIONER ARGENZIANO: Yes. Of the 58 new measures, when will we have an idea of what those 58 new measures are?

MS. CLARK: I believe we know what they are, although I don't personally know what they are. I can ask if I can get a little help on what the 58 new measures are.

Howard, do you have any --

MR. BRYANT: Howard Bryant with Tampa Electric. They span the spectrum of residential and commercial. To know exactly what they are, I can't delineate them, but they are measures that have come to the marketplace since a previous study. As an example, they are measures that have come to our attention because of SACE bringing them to our attention. So it has been a combination of effort from all of those in the collaborative to suggest here is the base line that we started from on a previous study. Now, what do we know is in the

marketplace? What are you aware of? What are the utilities aware of? What can we do to make the basket initially as robust as possible so that we can give as many measures that are technically out there the opportunity for the evaluation in the process?

COMMISSIONER ARGENZIANO: And will they be included in the December final report?

MR. BRYANT: Yes. Yes, all of those. The 58 is really just the identification of the fact that we had a foundation to start with, we have built on that foundation to come up with a total of 276, and so they will all be a part of the evaluation, absolutely.

COMMISSIONER ARGENZIANO: Thank you.

CHAIRMAN CARTER: Commissioner McMurrian, you're recognized.

COMMISSIONER McMURRIAN: Thank you. And those questions were all really helpful. Thank you all for asking them.

I just had a question more about process really. Ms. Clark said -- on Page 11 she showed a schedule and asked for us to give her schedule consideration, and I thought I would ask how that schedule that you all proposed matches up to what you believe the staff's proposed schedule is for the process and why your schedule is preferable?

MS. CLARK: I guess two things. We think there's

value in continuing to work with the collaborative and getting some of the groundwork done and done right, and in a way that we can agree on such that at the back end you have a less contentious hearing, hopefully. And as we had indicated, part of taking a long time was these on-site surveys for the commercial.

But, you know, you have to -- the goal is to have the goals in place for 2010. And we think that the July -- slipping that deadline for at least filing of the initial goals shouldn't do much harm or will do no harm in getting those goals into place at the time they need to be there. So we think that July doesn't really do any severe damage to your desire to get this done as efficiently as possible.

COMMISSIONER McMURRIAN: I guess just to follow that up, Mr. Chairman. Whenever the stakeholders do their presentation, if they can respond to their thinking on the schedule as well, that would be helpful.

CHAIRMAN CARTER: Thank you.

Let me just kind of -- Ms. Clark, between Slide 3 and 4 you did a parenthetical, and you talked about the two concerns.

MS. CLARK: Yes, on the lower load.

CHAIRMAN CARTER: Lower load projected growth and higher cost for new generation. How should the load growth be measured?

MS. CLARK: Well, you know, you will have forecasts just as you have for need determinations and rate case of the load growth. And it will be presented as part of developing the goals, and it will be there for your staff to test, but we do expect the load growth between 2010 and 2019 to be lower than had been previously projected. And as I say, all else being equal, that would indicate less cost-effective DSM.

CHAIRMAN CARTER: And that consideration will be how do you measure both the demand as well as the energy itself?

MS. CLARK: Yes. How you would measure the demand and how you would -- the supply that you would need to put out there absent DSM to meet that demand, and then how much of that supply can be met through DSM as opposed to supply-side resources.

CHAIRMAN CARTER: Commissioners, anything further from the bench before I go to staff?

Commissioner Skop, you're recognized, sir.

COMMISSIONER SKOP: Thank you, Mr. Chairman. Just one quick question. I know that having reviewed the presentation and looking at the concerns and the historical cost-effective tests that the Commission has used, has there been any consideration given towards perhaps re-evaluating what incentives are actually offered in terms of conservation? And let me use GRU as an example. I mean, they heavily emphasize solar thermal hot water heaters as well as solar and also air

conditioning energy efficiency rebates and such.

I've noticed that throughout the state that varies widely depending upon the utility in terms of what is being incentivized. But I just was wondering if there has been any consideration given towards moving forward with offering, perhaps, solar rebates for residential solar that would, you know, facilitate distributed generation. I know it is kind of counter-intuitive to the energy -- I mean, the business goals of the utility, but it seems to me that, you know, that would at least stimulate, you know, adoption of solar perhaps.

MS. CLARK: Well, as I understand it there is -- as part of what is going to be analyzed, you do have your solar hot water heaters and PV powered pool pumps that will be part of this analysis. Now, PV systems are not directly addressed, because they are not shown to be cost-effective either under TRC or RIM. But as I indicated, they could be -- an analysis of them could be done, but it's my understanding at this time those two types that I mentioned will be part of the technical potential study.

COMMISSIONER SKOP: Thank you.

CHAIRMAN CARTER: Thank you.

Commissioners, anything further? Staff -- and then I'll come back to the bench, too.

Staff, you're recognized.

MR. BALLINGER: This is Tom Ballinger on the staff.

I had a quick question on the stand-alone PV.

If I understand, so the direct PV generators, I will call them, are not being analyzed because they are not cost-effective under RIM or TRC. Do you have a feel for how they faired on those tests? Did they come out with .8 RIM or .7 TRC? Do we have any ballpark of values? And were any other -- I know you mentioned later on that you were going to do sensitivities, if you will, or at least some inclusion of potential carbon dioxide regulations. Was any of that included in looking at stand-alone PVs?

MS. CLARK: (Inaudible, microphone not on.)

MR. BALLINGER: I think from staff's perspective we would like to see those in the economic potential, those types of technology. It may not be in your technical potential now, but I think to give the Commission a wide variety and the most information to go ahead and see. If they are not passing both tests, that's fine. But I think we want to see how they are fairing and what kind of assumptions are going into them.

MS. CLARK: Tom, if I could just ask you to repeat exactly what you want included.

MR. BALLINGER: I think at least your residential PV systems.

MS. CLARK: Include in the economic potential analysis residential PV systems?

MR. BALLINGER: Yes, ma'am.

MR. BRYANT: Tom, this is Howard with TECO. Do you have a certain size that you want to work from there? I'm just thinking out loud.

MR. BALLINGER: I am guessing it's probably about a 4 kW, is a typical residential size. I mean, you made the statement that they didn't pass TRC or RIM, so you have some assumptions of what you use in that, so I would kind of like to see the results of that, I guess.

MS. CLARK: Okay.

MR. BALLINGER: You have made the -- in your presentation you went through the next step is the economic and achievable potential. Have the utilities decided yet to use KEMA and ITRON to do this next phase of the study or are they going to do it independently? How is that going to work or is that still up in the air?

MS. CLARK: I guess I would answer that there is discussion of having them participate in that part of the study.

MR. BALLINGER: Okay. So that hasn't been finalized yet, so it may be individual utilities going on doing their economic and achievable potential -- using the technical potential study as a basis, but then doing their on economics?

MS. CLARK: Yes. And I would guess there's probably still -- that's probably still under consideration for each utility. Richard, did you want to say something? Would you

identify yourself for the record?

MR. VENTO: Sure. Richard Vento, JEA. Currently OUC, FPU, and JEA are planning on doing the economic and achievable potential together with ITRON/KEMA.

MR. BALLINGER: Okay. And the schedule that you posed to us is that assuming individual utility, would that be lengthened and shortened if it went with KEMA? I'm trying to get a sense of what assumptions went into giving us those dates of filing in July.

MR. BRYANT: Tom, Howard with TECO. I think the issue with suggesting that July is a better date for us is simply the volume of material that we have to look through, making sure the commercial surveys are completed and are folded into the technical potential, and then taking the proper amount of time to work through -- once you get your technical, to work through the economic down to the achievable and then vetting that among the collaborative as best we can and then making the filing in July.

We are not supposing that on the back end that we would want to suggest a lengthening there because, in essence, what I'm saying is we want to hit the target of being ready to go by January of 2010 as we are required to. But it is simply a matter of getting in the middle and sliding just a touch, so we can have time for a good analysis comprehensive throughout the whole process and then put the best product forth for all

of us to consider.

MR. BALLINGER: And if I understand the schedule, it looks like the technical potential will be done early December, but the commercial surveys are not going to be done until February of '09. Would that be rolled, then, into the economic potential?

MR. BRYANT: It would certainly be rolled into the economic potential, but with over 500 surveys currently completed, by and large, you are beginning to get -- I say you, KEMA/ITRON is beginning to get a good feel for what the results are. So it's a matter of finishing the surveys, and once you have that data completed, then you can put -- I say, again, then. I keep saying that it is ITRON/KEMA. ITRON/KEMA will be able to put the final aspect of all the results from that survey work into the model to make sure that the model and the results from that have been adequately and properly evaluated based on those base lines we are getting from those commercial surveys. So we feel comfortable at 500, but the icing on the cake is going to be to go to 600, and that is when we will have -- we will have that information in early February.

MR. BALLINGER: Okay. And do you see it -- since the customer make-up for utilities is primarily residential, is the commercial sector really -- do you see it providing a huge potential in terms of DSM savings?

MR. BRYANT: I think it's going to provide a

potential. Because if you think about what is happening in the state since the early 1980s when we began DSM here, conservation, we first attacked the residential marketplace and did a great job of that through the late '80s into the early '90s. But then as the '90s came around, we began to move into the commercial area and -- but there is still potential there in that commercial area.

And so, again, when you determine your base line as to what is out there, the fact that we have not -- we are not required nor have we surveyed the commercial folks, this is going to give a good base line that we need in order to go forward. And I think you are going to see the results being such that there is potential there, yes.

MR. BALLINGER: Okay. I'm sure that there is potential. I am just wondering magnitude-wise is it a big sector or is it still primarily in the residential where we are seeing the savings?

MR. BRYANT: I don't think we are going to know until it is actually finished. If I hazard a guess, I would suggest it could be just a pinch more on the commercial side than it is residentially. But that's just my opinion. There could be others that would have a different opinion.

MR. BALLINGER: I noticed on Slide 11 with the schedule there it had determining the economic potential between December and January. Would the utilities be providing

that information to staff kind of as an interim basis, much like the technical potential study? In other words, what we are trying to do is garner information to help this process move along. Get it, as we can, to be prepared, not get hit in July with the filing of goals.

MR. BRYANT: You're going to get it along the way, I'm pretty sure.

MR. BALLINGER: So we could look for possibly the economic potential in January, let's say?

MR. BRYANT: Maybe tongue in cheek, as soon as it is done. But recognizing the importance of doing it as quickly as possible, but yet as accurately as possible.

MR. BALLINGER: And would that be screened on a RIM and a TRC test or just one?

MR. BRYANT: I think as the chart indicates there, we are going to be screening on both, because that was the desire that you folks had when we had an earlier workshop.

MR. BALLINGER: And I think Ms. Clark mentioned about the carbon regulations, that you don't believe a sensitivity of a variety of scenarios is appropriate. How will you determine a single forecast, I guess, if you will, for carbon regulations?

MR. BRYANT: Am I the only one that is going to talk? I can do it.

MS. CLARK: It's my understanding that, you know,

when -- essentially the same thing you do in a need determination. You do use, for instance, a mid-range forecast in determining what that cost might be. And you'll use other others for sensitivity, but in this case it would significantly increase the analysis to be done, and we wouldn't anticipate that it would be much of a change in the results.

MR. BALLINGER: Okay. Because in need determinations we look at sensitivities, a range, because we are not sure which one they were. But you are looking at possibly the mid-range, then using the need. Okay.

Do you know if on the economic potential, will measures be bundled to almost mimic programs or will they be done individually where you try to take into account, you know, counter-active measures and the complementary effects of things.

MR. BRYANT: Initially they will be evaluated on an individual basis, but then as KEMA/ITRON goes through their process, they will begin to look at the interactive effect, so that you can't have 125 percent savings.

MR. BALLINGER: Right.

MR. BRYANT: So, yes.

MR. BALLINGER: And I understood, too, the earlier slide, I guess back on Slide 9, you don't believe it is appropriate at this time to look at supply-side efficiency at this time. Do you think, though, that given the statutes that

the Commission could set goals for supply-side efficiency in this process, say a 3 percent improvement in heat rate or something? I understand we don't have a technical potential of them, but does that prohibit us from setting a goal?

MS. CLARK: I don't know that it prohibits you from setting a goal, but I guess on what basis would you do that? It just strikes me it would be an efficient use of time to get the demand-side done and treat them separately, and then move to thinking an analysis of about what the supply-side might be.

MR. BALLINGER: Okay. And you mentioned a separate analysis. Would that be a separate generic proceeding for supply-side efficiency or a case-by-case basis as a utility has a project?

MR. BRYANT: I'm not sure that we have thought that far along, because the focus has certainly been on the demand-side and the iterative processes that we are going to have to go through just to get to where we need to be come January of 2010. But, certainly, there is the contemplation that you folks have the ability to set these goals. And if you wanted to do it in this kind of a proceeding, I think we would certainly, obviously, be amiable to that. But to begin to even identify what those resources might be just hasn't yet been our focus because we have to do this DSM stuff. So, you know, we are open to how to handle that the best.

MR. BALLINGER: Okay. This is something that has

troubled me with supply-side efficiency coupled in with demand-side stuff. I can understand, you know, attic insulation reducing kilowatt hours. We can measure that. We set goals on kilowatts and kilowatt hours. But a generation efficiency doesn't change the kilowatt hours. It may actually increase the kilowatt hours out of a unit if you increase its efficiency. You do save Btus of fuel. So I'm having trouble. How do I -- any suggestions on how to maybe put these together, or am I correct in that they are kind of different measurements?

MR. BRYANT: I think they are different measurements. And your struggle has been our company's personal struggle, and I'm sure, perhaps, it is indicative of the others here at the table. But you're correct in that if you improve your heat rate, you will save on the fuel. That's kind of the result. And so how do you -- how do you measure the effectiveness of what you are doing? We are not there on being able to identify the measures that we ought to consider. And then how do you go about evaluating them, and what are all the savings, what are all the benefits, what are all the costs? In other words, there is not a method for cost-effectiveness, per se. And so that is another struggle we have. And let's hold off on that for just a little bit, and let's focus on DSM first.

MR. BALLINGER: Okay. And that gets me to the final one on supply-side. If we don't have supply-side in the goal

setting process, do you think it would be proper for a utility to come in later and request a reward for achieving its goals because of a supply-side efficiency improvement?

MS. CLARK: I'm thinking back to the statute. I don't know that there is anything that would prevent it, but they would have to come in to give you the rationale and the basis and how they estimated that efficiency.

MR. BALLINGER: Because I guess I read the incentives as exceeding your goals. And if a measure wasn't included in a goal setting proceeding, how could it be an incentive. That's what I'm struggling with.

MS. CLARK: But I think if I look at the two statutes, though, the one that might be done without a goal is the 20 percent of load growth goal for the ROE adder.

MR. BALLINGER: That's good. You led me into my next question on the load growth. Do the utilities see that load growth as peak demand load growth or energy load growth, or both? It is not real clear in the statute, and we are trying to figure out how to measure that because it will change what types of programs you try to achieve and that kind of thing.

MS. CLARK: I don't know that we are that far in our thinking, you know. I think our point is I think it would be well to be flexible on how that might be interpreted to achieve the notion of employing energy efficiencies that make sense.

MR. BALLINGER: And the potential ROE basis point

adjustment, would that be a one-time, perhaps, incentive or applied until the next time we review things?

MS. CLARK: It could be either, and I think it would depend on what is proposed and what makes sense in terms of the goal or what has been put out there to achieve and whether or not it is achieved.

MR. BALLINGER: And the new statute authorizes the PSC to financially penalize utilities that fail to meet their goals. It's got both sides. It's got rewards and penalties. And the prior statute had it where if a utility failed to meet its goals, the Commission could mandate a program, so you could go meet the kilowatt hour goals, if you will. Those are always very difficult to say why you didn't meet it, because a lot of this is driven by customer acceptance. So do we still have that same problem in determining whether you met or didn't meet the goals because of the customer acceptance?

MS. CLARK: Yes.

MR. BRYANT: But if we don't meet them, we hope you would apply grace.

MS. CLARK: Yes. If I can just say, I don't think there is a utility here that does not take seriously the comprehensiveness of the act that was passed by the legislature in terms of focusing on energy efficiency and conservation. And if they don't meet their goals, my bet is they are going to have a good explanation for why it isn't met.

MR. BALLINGER: One other one. Do you think the statute gives us flexibility to set separate goals for the demand-side renewable energy systems, or should they all be combined into the total DSM package?

MS. CLARK: I haven't thought about that.

MR. BALLINGER: Okay.

MS. CLARK: And we certainly can respond to that.

MR. BALLINGER: Fair enough. That's all the questions I have, Commissioner. Thank you.

CHAIRMAN CARTER: Thank you. That is very interesting and some things that I probably thought about, but could not articulate them as effectively as Mr. Ballinger. Good line of questioning.

Commissioners, anything further from the bench? I was looking for Mr. Jacobs. I know he was with the stakeholders, and I was going to give them an opportunity to at least comment before we close out this portion.

MR. CAVROS: Commissioner Carter, George Cavros on behalf of --

CHAIRMAN CARTER: You are recognized.

MR. CAVROS: -- Southern Alliance for Clean Energy and the Natural Resource Defense Council. We have our Research Director, John Wilson, of the Southern Alliance for Clean Energy who will give a presentation, and I may add a few comments at the end.

CHAIRMAN CARTER: Okay. Do you want to wait until Mr. Wilson finishes before you make your comments?

MR. CAVROS: Yes, please.

CHAIRMAN CARTER: Okay. Let's do that. Commissioners, anything further for this section?

Okay. Let's take about five minutes and give us an opportunity to get rearranged, and at that point in time we will come back and we will and hear from the stakeholder presentation.

Mr. Wilson, thank you. I think we have got the clock set properly today, so we will be back at a quarter of.

(Recess.)

CHAIRMAN CARTER: We are back on the record, and when we last left, we had completed Part 1. Commissioners, now we are about to move into Part 2, our stakeholder presentations.

And with that, Mr. Wilson, you are recognized.

MR. WILSON: Thank you very much, Chairman Carter and Commissioners. I appreciate you including us in this presentation.

And I'd like to start out with this one slide being effectively the first half of my presentation, and to recognize and thank the utilities for including us in this process as partners in the technical potential study and very likely in the economic and achievable potential study. It has been a very positive, professional process. I think we have all

benefited from being able to have discussions early on in the process.

Some of the things that we have worked on together, and I think improved the study collaboratively, have been the selection of the contractor, adjusting the work plan both during the stage of drafting the RFP and issuing it, and, also, once the contractor was selected we worked together to make adjustments to that. We also worked on the measures list, and I will come back and discuss that a little bit more in a moment. And we have been involved to some degree in the survey work.

And I think that the investment that the utilities are making particularly in the commercial on-site survey is both a large financial contribution and it is also an example of good leadership. This is going to -- in spite of some shortcomings that I think are necessary in a study of this scale, this is going to be, quite simply, the finest study of its caliber in the southeast and probably one of the finest in the nation in the past few years.

So, when I have -- we have, along with NRDC, our colleagues in this project, we have gotten advisors from all over the country who, when we are able to make schedules work, give us advice and consultation on some of the technical aspects of this, and they have been uniformly impressed with the quality and the scope of this study. So it is truly a

great accomplishment.

And I think one of the real benefits of including us in this study is that when things get a little bit more interesting, let's say, later on in the process to the public, we will be ready to work with our allies and other stakeholders who are interested in this to help them understand, you know, why some of the shortcomings of the study may be sort of inevitable given the challenges of truly understanding something as complicated as the potential to do energy efficiency in a large and diverse economy like Florida.

I would like to say that this will result in this becoming a noncontentious process, but I think there will be some differences of opinion, and you are going to start hearing those today, I think. But I think that the value of collaborating on this in a way that we're doing here with the utilities is that the conflict will be very clear. It will not be sort of lost in a lot of chaotic misunderstanding of sort of how the technical process works. We will be very focused on the values and the decisions that I think are appropriately those that need to be made by the Commission. And I think by having this kind of a dialogue like we are having today, you will realize how important these decisions are and exactly what the impact of those decisions will be, and then it will be your call as Commissioners.

Let's see. First, I wanted to respond to a couple of

points that I did not highlight in my presentation, but that came up in the earlier discussion. One of them being Chairman Carter's comments on incentive treatments and especially the outreach of energy efficiency programs to low and middle income customers who are going to need incentives to participate in these programs. It is both a very challenging area of work across the country in our dialogue with people who have accomplished this, but it is also an area where there is a lot of proven track record.

These programs, energy efficiency programs in general, have been operated at very high levels very successfully for decades all across the country. And while there are differences between Minnesota and Florida, of course, there is also a lot of similarities in the outreach and that sort of thing. Nevertheless, I will say that the conversation about that focused primarily sort of on education and the economics of reaching out to those customers.

And there is sort of a third component, and I do hesitate to bring it up, but I'm going to try to make it as real as possible here, and that is the sort of the political dimension of it for the utilities. And I was having a conversation with a senior utility industry executive in South Carolina who was talking about the difficulty that utilities in that state face in reaching out to these difficult-to-reach customer segments, and one of them is simply backlash from

other customers. And that may seem kind of strange, but there are customers out there who just simply object on philosophical grounds to having a utility go out and help out another customer who may not have the means to help themselves. And I don't think I want to put it any more bluntly than that.

But it is a challenging area. And I think that the strongest leadership possible from the top will, in a way, make it easier for the utilities to go out and execute programs in that area, because they will just be able to simply say this is what we have been directed to do, end of discussion. And I think the more you defer that responsibility to make those kind of calls to the utilities, the more challenging it will be for some of them to explain themselves, if they're explaining themselves to their shareholders or to their members, depending on whether they are an investor-owned or a public utility.

Second, I will just briefly mention that there was some discussion in response to the staff's questions about the rewards and penalties regarding utility incentives for energy efficiency programs, and I did not prepare any material on that. Our organization is extensively involved in deliberations on those matters in the Carolinas right now. And, as a result, I've spent a lot of time talking to people all across the country about the different approaches to utility incentives. And at the conclusion of my presentation I would be happy to discuss that in response to questions from

the Commissioners or staff.

So I will move on now, and talk about, nevertheless, in spite of our positive feelings overall about this process, there are some issues with the potential study, and the first one is that there are some shortcomings with the measures list. I think a lot of these are due to what I would consider the compressed study schedule. The utilities and our organizations and the consultants have worked very hard to keep this moving, but I think that the schedule itself is still, compared to similar studies in other states, being done at a very rapid pace.

And so I think that there are going to be some measures that could have been explored or some niche markets that could have been explored more extensively. I think that we can address those in our comments at the appropriate time in the proceedings. It is in no way a criticism of the effort that people have put out or any kind of a technical failing. It is just simply that we will need to understand that the potential study is not necessarily 100 percent definitive, and I think it would be unreasonable to expect that it ever would be.

The second matter, though, is one that was kind of a surprise to me. And I checked with my colleagues here, George Cavros and Tom Larson, and we were really unaware of this decision to exclude PV systems from the technical potential

study. There has been a lot of confusing discussion within the collaborative about the status of the measures list and what would be on it and how things would be dealt with. And that is one, frankly, that if that had been discussed on one of our conference calls, we may have, due to a schedule conflict, missed that call. We have weekly calls, and there are certainly times when one or the other of us are not able to be on those calls. So we would certainly want to see that on there.

And with regard to the cost-effectiveness of PV systems, I would look at both residential and small commercial systems. In a North Carolina proceeding that we recently participated in, some of the experts from the solar industry represented that that technology can be delivered at a levelized cost of about $17 per megawatt hour. That sounds high, but a number comparable to that was used in the Florida climate action team evaluation process recently, and that was compared not to the average of weighted cost of energy and capacity, but to a capacity value for that energy that was weighted by the hours that solar would be delivered.

And in that cost-effectiveness evaluation the small scale systems actually were found to be cost-effective. And it's certainly not the most sophisticated analysis that needs to be done for this process, so I don't want to say that that would be evidence that I would endorse being put forward as

sort of the basis for a final decision by the Commission.

That said, it is an indication that there is a lot more work that needs to be done in understanding how PV systems can play a cost-effective role in the state's future energy supply. And I would certainly want to see that measure carried forward in the study until it is determined that it does or doesn't pass the appropriate cost-effectiveness tests.

Our second concern with the potential study is going to be with the cost numbers, and there is not a better way to do this to begin with, but I wanted to sensitize you to an issue that we have with the cost data in the study. The cost data are primarily derived from FPL programs that have been offered and secondarily from California programs that have been operated. And the Florida programs while, you know, we certainly don't want to diminish the importance of the work that has been done, in the comparison to national programs these are -- the work in Florida has been relatively small in scale in terms of energy savings. And studies, in fact, show that as you achieve higher and higher levels of achievement the cost of conservation declines.

And I have got a couple of illustrations here to show you. This prints out better, apparently, than it projects. Well, not much better printed out, actually, now that I look at it. But across the country the leading -- this graph illustrates the 75 largest utility systems. And by utility

systems we have aggregated at the holding company level; so, for instance, Southern Company would include Gulf Power and its sister companies, as well. And the reason that we do that is simply that many of these utilities hold four or five smaller utilities. In order to sort of show kind of who the biggest utilities are in the country, we tried to aggregate them at this level.

So the leading utilities are really above half a percent, and even all the way up to 2 percent of sales per year. And many of these utilities have been operating these programs for a decade or more, and so these are not sort of flash-in-the-pan programs. In contrast, all of the Florida utilities are operating at well below half a percent based on the latest data submitted to the Energy Information Administration. The utilities represented here today are basically reporting results in the .2 percent or lower range. So these are not national leading programs in terms of energy conservation.

This is a recent study by Synapse Energy Economics, and I'm just showing one slide. There are several different ways to cut up the data, but they all show the same story, that across the country leading utilities, the bigger the program the smaller the cost. Now, this is going to be kind of at odds with the types of supply curves you are going to see when ITRON begins to present it results, because it is going to show that

as you go deeper and deeper into the pile of potential measures, the costs are going to go up. They are going to be organized in that fashion. But, in reality, when these programs are operated, when they get bigger, the costs go down.

And every single one of these utilities has a declining curve. I talked with the author. He has not cherrypicked. He says he will put any utility for which he gets reliable data, both on costs and savings level, into this study. One of the challenges with the Energy Information Administration data is that the utilities don't reliably report the cost of energy efficiency programs to that database. There is also issues with its use on the savings side, but the bigger issue seems to be with the cost data and that database.

So he has collected these data individually, utility-by-utility. And I have actually seen a larger data set that he has collected but not prepared a graph on, and it shows the same results. So I think the story is that when we see an average cost coming out of this study of, say, four cents per kilowatt hour, we need to understand that those costs are derived from, first of all, a program that is operating at .2 percent, not at a program that is operating at 1 percent or 2 percent.

And, second, it's in a -- the costs are derived primarily from the FPL service territory in California where costs are higher than they would be in, say, Gulf Power's

service territory just in terms of typical cost of doing business. And we have looked at some of those data, as well.

So I think that on balance we are going to be seeing sort of a high end cost estimate for energy efficiency, not a middle of the road cost estimate. That's not a technical flaw in the study as much as something that you need to understand as Commissioners when you are interpreting these results and determining the goals for cost-effective energy efficiency in the state.

A second point that I wanted to discuss is some shortcomings with the cost-effectiveness manual and the Rule 25-17.008 in the -- and how they do not match up effectively with the potential study. The first thing is that there is no provision in the rule or the manual to address what has already been discussed here today, which is the supply-side efficiency investments. And as we learned today, the utilities are proposing that this will not be a part of this proceeding, and that they will defer that to a future time.

We have no objection to that approach. I think it is a substantively different question how you proceed with that. And I don't think this was mentioned, but it is my general understanding that a number of the utilities actually have investment projects underway to improve the efficiency of some of their generation units, and that those proceedings have been before the Commission and acted on outside of the context of

this new statutory opportunity.

However, the second thing that is not addressed in the cost-effectiveness manual is the data collection and analysis requirements that are related to the demand-side renewable energy systems. And so we would recommend making some revisions to the cost-effectiveness manual or some staff Commission process for providing informal guidance to the utilities on these points as needed. And I think that the problem is probably more acute for the solar/PV, which operates as a customer-sited resource. So it just has fundamentally different characteristics than in a typical energy efficiency opportunity.

Solar hot water is, I think, a lot more like a very ultra efficient energy efficiency opportunity in that there is still some demand left on the system for backup power, backup water heating, but it does operate pretty effectively as an energy efficiency tool. So I think there will be less problem in looking at solar hot water under the current manual, but there may be some additional data needed regarding load shape and reliability for PV systems and the cost to maintain and operate the metering and so forth that is necessary to support solar/PV.

Moving on to the screening process regarding the economic and achievable potential of each measure. We are not satisfied yet that there has been adequate direction provided

as to how to evaluate the economic and achievable potential. We think this is a critical matter. And I was asked by Commission McMurrian to comment on the schedule, and this is kind of an appropriate time to do that.

I would generally agree that the utilities' schedule makes sense and that compressing the hearing time and so forth at the end of the year is appropriate under the condition that some of these fundamental issues about how economic and achievable potential are addressed up front. I think these are issues that the Commission could provide greater guidance to the utilities and could sort of settle some of these disputes early on, or at least -- they may not be 100 percent settled, but at least give strong direction and focus the analysis so that the remaining questions are a little bit more -- don't require so much testimony and back and forth during the hearing phase, if that makes sense.

The major issue that we have with the overall analysis is we really just, frankly, don't have enough information to understand how each utility intends to do its analysis. In one discussion we had with the utilities it appeared that there were some pretty substantial differences between the utilities in terms of how they established the benefits of energy efficiency. And we just simply -- really, I could not relate to you how each utility does it in the detail that I would like to have in order to inform you as to our

opinion as to whether it is appropriate or not. Nevertheless, I'll try.

First of all, the cost-effectiveness manual defines benefits to be based on an avoided generating unit. That's its primary definition. In our experience, however, the emphasis is really on the PURPA-based concept of the avoided cost, the avoided energy cost and the avoided capacity cost. When energy efficiency is widely recognized as less expensive than the cost of avoided generating units, it has a tougher time stacking up against the PURPA numbers, which are a lot smaller, and those avoided capacity and avoided energy costs typically end up being less than rates when you look at them on the average year-round. Because rates, of course, include, in addition to energy and capacity, they include other costs of doing business that are outside of that. So it is a -- whereas the cost of new generation tends to be more than rates, because it's typically the case that these incremental investments cost more than they did sometime ago when generation was built at a lower cost.

Another thing that's kind of an interesting aspect of this manual that I have not heard discussed is that even if the entire generating unit cannot be avoided, the manual does prescribe for the utilities to still use that method, even if they are only avoiding the generating unit in part. I think that's an interesting aspect, because it is basically saying if

they need to still build the unit, but some of its need is not valued, that unit is still a useful value for energy efficiency.

This challenge of valuing energy efficiency is one that is really perplexing commissions across the southeast. It's a little bit more settled science or art, whatever you may wish it to be, in other parts of the country, but the valuation of energy efficiency is something that in the commission hearings that we have been in Georgia and the Carolinas still continues to be something that is not quite settled.

CHAIRMAN CARTER: What do you attribute that to?

MR. WILSON: Well, I think it's a complicated issue, because there are two sort of theoretical bases for utility regulation. One is the cost-of-service model and the other is the value-of-service model. And the cost-of-service model has been almost exclusively applied to electric generation regulation. And when you are dealing with a capital intensive process, you can award shareholder value in that context based on the capital investment.

Energy efficiency, however, requires you to value something that doesn't exist, demand that has been avoided. So it is an intangible sort of thing to value in contrast to a power plant that is this asset out there that can be valued at the cost that it was acquired, or built, or however it's valued. And so it is very easy to sort of start with that and

add some kind of incremental onto it to reward the shareholders for building it. Whereas, when you start with something that's intangible, which is an incentive paid to a customer to save energy forever and ever, and that incentive is paid one time and then the company loses sort of any proprietary interest in that intangible, it's a real challenge.

So I think that the fact that the energy efficiency has not been dealt with in as aggressive a regulatory context in the southeast -- Florida is further ahead than the rest of the southeastern states in that regard, but it is still not as vigorous an experience as in some states where there have been several different regulatory systems tried and the learning curve has been sort of achieved, I would say. You have different circumstances as well in different parts of the country, so it is a complicated topic. But that is my short answer to your question without going region-by-region through the country and commenting on those.

So just to kind of validate my points here in terms of energy efficiency being less than the cost of new generation, this is one study, Lazard's analysis, and their estimate of energy efficiency compared to a wide variety of generation technologies. Some of these are peaking units, some of these are base load units, so there is different purposes for each of these generation technologies. But it's clear that energy efficiency is just so much cheaper than every single one

of these across the board that it is sort of hard to imagine why you would not maximize your investment in energy efficiency. And the answer, of course, is that some energy efficiency measures, while the average energy efficiency program tends to run at two to four cents, some of those measures do cost more than four cents, and you start to bump up against the avoided energy or capacity cost numbers which are lower than all of these new generation resources.

So it is a critical decision on your part as to whether to emphasize the new generation unit aspect of the cost-effectiveness manual or to emphasize sort of the secondary choice which is allowed for in the cost-effectiveness manual of using the avoided capacity and energy cost. In my opinion, reading that statement in the manual, I believe that that concept was framed up for utilities that don't build generating units, that purchase all of their power on the market from other utilities or third-party providers. And so they were given that second option, basically saying you have a very good value for what you are going to be paying, it is whatever the market is charging you. But for utilities that have a regulatory basis for determining those avoided capacity and energy charges that may not really reflect the market, and that's my opinion of sort of how the PURPA process works, and take it for what that's worth, but it may undervalue energy efficiency.

The other major shortcoming of the valuation of the benefits of energy efficiency in Florida is that it does not take into account sort of the insurance value of avoiding energy price spikes. The cost-effectiveness manual explicitly calls for a single scenario of fuel costs, and I've cited the appropriate entry points on the form that that explains. Yet the cost-effectiveness manual -- so it misses the opportunity really to say that there is a value of insuring against fuel cost spikes.

And, of course, you know, individuals and businesses purchase insurance all the time. It has a very real economic value against unexpected costs. Hedging is one form of this. And when it is done properly and doesn't cause an economic crisis in the country, it's a good tool for businesses to use. And I think that this is an appropriate circumstance for the utilities and for the Commission to recognize that even if we assume sort of a mid-range energy scenario, that there is a value to investing to avoid the impacts of a high-end energy scenario, and that those high-ends scenarios do come true.

The one thing we know about forecasts over the past 10 or 20 years is that they are always wrong. You still have to make one and act on it, but we know that the future is going to be different than what we expect it to be.

There is one part of the country, at least where this is explicitly included in their planning process. This is not

an abstract concept, it is not a novel idea that is being cooked up in a back room of an environmental nonprofit or a university, and that's the Fifth Northwest Power Plan. And this is an example of some data from that plan. And the top graph there shows the -- they evaluated literally hundreds of scenarios in sort of a complicated computer modeling process, and they developed what they call the efficient frontier. And so that line actually represents -- each dot on that line is a different plan that has been tested out and is the most efficient plan up to that point.

And the first thing that they ran out was sort of the typical slow pace for the conservation plan programs, and they evaluated how much investment in conservation, how much in a wide variety of different generation options. And so each plan sort of is a little bit different variation on those themes. And they evaluated not just in terms of cost, which is typically how it is done, and that is what the Y axis represents, but they also evaluated it in terms of system risk. What is the value of that choice in terms of the potential for fuel costs to increase and that impact to go to the customer.

And we have had some discussion earlier today about how fuel costs are really borne by the customer in there. And, you know, with respect to supply-side efficiency risk, the question is sort of how does a utility see value as an investor-owned utility from managing fuel costs. And this is

another example of that same phenomenon. That if fuel costs unexpectedly spike, it doesn't affect the utility substantially in terms of its financial performance. It's the customers who, because of the fuel cost rider, bear that risk.

So at any rate, you can see there that on the lower graph they actually then said we really want to look at whether a faster pace and more investment in conservation and renewable resources would benefit or harm the customers. And what they found was that on both cost and risk basis accelerating cost-effective energy efficiency instead of waiting until 2015 to do that investment, doing it in 2013. It paid off for the customer and for the system.

The second thing they found was that although the maximized investment in conservation and renewable costs a little bit more to the system, and that's primarily the renewable energies there that we are driving up the cost. Wind and hydroelectric, I think were the primary renewables in the northwest. The benefit to the customer in terms of system risk savings was also substantial. And I think what they ended up choosing, and I apologize for not knowing the exact answer to this, was a point on that curve that was closer to the green dot than the blue dot, but not all the way at the green dot.

So it was a policy choice for the commission, essentially in that region, as to whether the focus should be on the least-cost approach or the least-risk approach. And

they made a balanced decision between those two points. But they did choose the accelerated investment in conservation and renewable energies over the slower pace that is represented by that top curve, because it was clearly a benefit from both perspectives.

So coming back to the question of how to value benefits properly? First, we would recommend that some kind of a workshop be developed -- convened to develop a standard for valuing benefits. We would encourage you to invite Northwest Power and Conservation Council to comment more generally on their method and specifically on their method of valuing risk and ensuring that that is taken into account in determining cost-effectiveness.

Second, we would encourage you to require the utilities to submit their methods for valuing benefits. How do they determine what the benefits are? Is it this avoided cost method? Is it the new generation unit method? And how are they going to do that. And we would like to see that completed. I think it would be appropriate, with the time schedule that the utilities have put forward here, that that needs to be done by early February. You know, if they feel like a different time frame would work, you know, we would be fine with that.

And, third, we would like to see a revision to the cost-effectiveness manual or an informal guidance to explicitly

allow for valuation of ensuring against fuel price increases.

Questions 3 through 6 on the agenda refer explicitly to the statutory criteria for developing the FEECA goals, and the utilities have commented on this, and we will now offer our comments. The first one is that we agree with them with Criteria A that this is the participant cost test as historically used. So there is no disagreement there, and I will move on.

Second, with respect to B, I would disagree with the utilities that this sort of refers to globally all of the other cost-effectiveness tests that have been used. I think this is very much the total resource cost test as conventionally applied and defined with one minor -- or one significant modification. But, first, to sort of explain why I think that this is the total resource cost test, if you look at the first phrase, the costs and benefits to the general body of ratepayers as a whole, this is very much exactly what the total resource cost test says. It is not talking about any sort of balancing of customer interests. It's talking about the ratepayers as a whole, and that is exactly the intent of the total resource cost test. And then it says, including. It modifies that statement with including utility incentives and participant contributions.

Now, I'm going to start with participant contributions. That's what I like to call a redundant

restatement. Participant contributions is already included in the cost and benefit. It is a cost of the program to the ratepayers, because it's something that has to be paid by the ratepayers if they are participating in the program. So that is very much already a part of the total resource cost test.

So the piece that I think is the modification is the including utility incentives. And looking at how this test is used in California gives a good example. In California, utility incentives are not counted in the total resource cost test analysis. What they do is they analyze the measures based on program costs, customer incentives, et cetera, the whole -- the cost to operate the program. But the shareholder incentives that are paid by ratepayers to utilities in California are based on a performance basis. So if the utilities perform poorly, they actually face a penalty; and if they perform exceptionally well, then they get a very large financial incentive.

Well, the problem with evaluating an incentive structured like that in this kind of a setting is you don't know what number to apply. If you are saying should we install solar hot water heaters, what is going to be the incentive that you add on to that program cost, or the disincentive? If the utilities perform badly, should you count the financial penalty to the utilities as a component of the total resource cost test? So the problem is is you don't know that number until

you see how the utilities actually perform. So that is definitely a challenge to including utility incentives in a total resource cost test.

Nevertheless, I do agree that the concept, since that is a cost of the program to ratepayers, the concept of including that in the analysis is reasonable. I mean, if I'm a customer, and I'm paying three cents a kilowatt hour for energy efficiency programs to be operated, you know, I don't really care whether three cents a kilowatt hour is all going to install the measures, or it's two and a half cents plus half a cent bonus to the shareholders. To me, it's still three cents out of my pocket, and I want to know that that is a cost-effective choice that has been made.

But the problem is is we don't know whether that half a cent is going to be a half a cent, or a quarter of a cent, or a full penny, depending on the performance of the utilities and what incentive program you all operate. So I think that's going to be a challenging adjustment to make to the total resource cost test, but that said, that is certainly not -- there are ways to make forecasts, just like all of these other costs are forecasts, and put that into the equation and just say here is what we are going to use as a proxy, and we'll see what the actual result is.

The next aspect of the incentives is the need for incentives to promote both customer-owned and utility-owned

energy efficiency and demand-side renewable energy systems. And I think we agree with the perspective put forward by Susan Clark earlier on how this would be interpreted. I think I'm saying -- and she may want to correct me later if I'm wrong, but I think we are saying very much the same thing here, that the customer-owned system, the incentive on the customer-owned side is referring to getting the incentive level right. And this is the discussion that Chairman Carter followed up on and that I commented on earlier, is that we need to make sure we are offering enough of an incentive targeted at customers appropriately to get them involved and not too much to incentivize, you know, free ridership.

And that's going to be an output of the economic and achievable potential study process, but the Commission will also, I would hope, offer the utilities plenty of flexibility in operating their programs and adjusting those incentive levels based on market response. Just like Home Depot when they are offering incentives to customers to come in and buy appliances or other large ticket items varies those incentives throughout the year and tries different types of incentives and structures. I think, you know, the utilities need to have the flexibility to behave in the marketplace just like any other business does and make those appropriate adjustments.

The second aspect of the incentive, I think, refers to the utility side. And this, again, as Susan Clark

interpreted it, it refers to the Commission's decision or not to offer some kind of a shared savings incentive or performance incentive program to the utilities. And we are certainly happy to offer our thoughts on those matters.

We are generally supportive of utilities earning -- you know, investor-owned utilities earning something for the shareholders in recognition of good performance on energy efficiency programs. And we think those need to be done in a very fair way, but we want to see the utilities' top management focused on this issue. And there is not really a better way to do that than to link it to the shareholder returns.

Next, there is the costs imposed by state and federal regulations on the emission of greenhouse gases. I think that Ms. Clark suggested the first alternative that we put forward here, and we're certainly supportive of that approach. I would tend to think that the second approach would be a little better if the Commission does encourage the utilities to have some kind of an insurance or hedging component of the benefits valuation. This would address Mr. Ballinger's comment about the fact that there's a lot of uncertainty with greenhouse gas emissions. And, in fact, this is explicitly considered again in the Fifth Northwest Power Plan. They actually did an evaluation under various scenarios with greenhouse gas emissions. And rather than picking a central estimate, they used a range of them and tested the plans to see which ones

would perform better, both in terms of cost and risk under greenhouse gas regulation scenarios.

Again, this is something that there is not going to be any technically right answer to, but you can get good information using the second approach, and then it is finally the Commission's call as to how it wants to strike that balance towards thinking that there is going to be a lot of cost associated with greenhouse gas regulation or very little. Ultimately, you all are the ones who carry the public trust in that matter, and we will certainly encourage you to strongly consider that, but I don't think that is the utilities' or our call ultimately.

Finally, as Ms. Clark mentioned, the utilities still consider the RIM test to be part of the statutory determination. We don't see that in the new statute. It doesn't talk at all about balancing customer interests. I believe that her reference to the RIM test -- in her spoken testimony she was speaking about the fact that in addition to the RIM -- or other than the RIM test, there is no test that transparently, equitably, and comprehensibly balances customer interest.

We don't see any language in this statute that requires you to balance customer interests. In fact, when we are balancing customer interests, what we are really saying is in some cases we want to encourage more costly supply over less

costly energy efficiency. If energy efficiency costs the least, it will pass the Total Recourse Cost test. So what we are talking about when we add the RIM test to that, and there are few, if any, other jurisdictions in the country that do this, is saying in some cases we would rather go ahead and build a more expensive supply because we are concerned about rate impacts for customers who don't participate in these programs and who basically are the remaining energy wasters, and we want to protect their interests.

And, you know, I think that there are -- the other sort of thoughtful objections to energy efficiency measures that fail the RIM test, I think can be addressed with program design. So I think the RIM test is actually a very useful tool for the utilities to use in figuring out how to design the programs. But in terms of determining whether measures are cost-effective, we see it as having very little role.

Finally, I would like to just kind of summarize by sort of showing you the impact of the RIM test. And this is something that has been a -- basically, the utilities have almost had to have their programs pass the RIM test. And I understand that there are some conditions under which measures that don't pass the RIM test can get brought into programs. But in general, most of them do. And the impact of this I have graphed here. On the bottom on the X axis you see the energy saved by utility-run programs across the country. This is an

average of 2005 and 2006 data. And you can see that the part of the country, no surprise, that has the most energy savings during that time is the utilities in California.

What may be surprising is that sort of the next tier is a mix of the Northeast, the Pacific Northwest, and the Great Plains states. And we don't hear a lot about sort of the Great Plains states as being leaders of energy efficiency. But, in fact, they have really some outstanding programs in that part of the country, and they are fast-growing programs, as well. I believe they have stepped up their level of effort considerably in the past couple of years.

In contrast, Florida, in spite of, you know, sort of 20 years of history of the FEECA process, remains kind of just somewhat ahead of the rest of the country that doesn't really do energy efficiency. You see the cluster down there at the bottom. But you do see that they are pretty high up on the axis in terms of capacity avoided. And what we are talking about there, you know, when you are building -- when you are avoiding capacity, you are building fewer power plants. And that's a good thing, but the power plants that we have primarily avoided in Florida with these programs are the peaking units and not the base load units. And so, you know, from a utility point of view, this is great. They don't have to invest as much in the power plants that they operate the least, but they still get to build as many base load plants as

they can and operate them full-time, and that's where they really earn the return on investment.

So it's a fairly intuitive result. And it really, unfortunately, goes against one of the fundamental purposes of the act that was established long ago to reduce the growth rates of electric consumption. As you can see, Florida has not emerged as a leader in that respect. So we would certainly encourage a redirection of effort. You know, again, we are totally supportive of capacity avoidance, but we want to see Florida heading out more to the right on this graph in terms of energy savings, and ultimately maybe even catching up with California.

Thank you very much for the opportunity.

CHAIRMAN CARTER: Thank you.

Mr. Cavros, you wanted to comment before --

MR. CAVROS: Pardon?

CHAIRMAN CARTER: Did you want to comment, Mr. Cavros? You're recognized, sir.

MR. CAVROS: Yes. Thank you, Commissioner Carter and Commissioners. I will very brief. George Cavros from the Natural Resource Defense Council.

I echo John Wilson's gratitude in being part of the process. It has been a very robust process, open and transparent. We look forward to being involved in the economic and achievable process, as well. And this process, really, the

importance of it can't be overstated. There have been increasing costs for capital construction of new generation and also fossil fuel pass-throughs to customers in the last few years, and demand-side management measures, energy efficiency and, for that matter, renewable energy help to insulate customers from those types of price shocks. So we see this as a very, very important process.

And, apparently, the Legislature did, too, in House Bill 7135. They really took some time to ask you, this Commission, to look into, for instance, decoupling to see if decoupling could help drive more energy efficiency in Florida. They asked you to look at demand-side renewables to see how those could be part of the playing field in Florida. And in my mind, most importantly, they asked you to look at the benefits of energy efficiency to the general body of ratepayers. And to me, what I see that -- I view that as sort of asking you to consider increasing incentives. And Commissioner Carter touched on this point earlier.

Generally, if you increase incentives, you will get more energy efficiency implementation. Generally, customers will use energy efficiency programs if they are incented to do so. If you increase incentives 20 percent, it doesn't mean, of course, that implementation will increase by 20 percent. It may increase by 10 percent. It may increase by 30 percent. But I don't think that anyone would argue that it would, in

fact, increase. And this goes mostly to the cost-effectiveness test. And I understand, you know, that is something that we are going to get into as we move forward. You know, should we use the rate impact measure test as the default as it appears that we have done in the last few FEECA proceedings, or should we go to a Total Resource Cost test.

And the issue with the Rate Impact Measure test is that it measures lost utility revenues as a cost. That's a short-term rate impact. And almost by definition it can't measure the benefit to the larger body of ratepayers if we are just concerned about lost utility revenues and if we are just concerned about cross-subsidization. So we would welcome some guidance by the Commission going forward on which test should be utilized; because, you know, we are very happy that we have been able to add a lot more measures to the technical potential list, but ultimately the rubber hits the road when we see how many of those technical potential measures we can actually implement. And that will be directly affected by how much incentive we can offer residential, commercial, and industrial customers.

Thank you.

CHAIRMAN CARTER: Thank you.

Commissioners, before I go to staff, do you have -- Commissioner McMurrian, you're recognized.

COMMISSIONER McMURRIAN: Thank you. And thank you,

Mr. Wilson and Mr. Cavros.

I guess my first question is with respect to Page 7 of your presentation, or the slides. And you speak about utilities don't appear to be using consistent approaches in screening the measures, and you don't have enough information to evaluate them. This, of course, comes up a lot in utility regulation that utilities, because of different situations that they are in that they may have different ways of evaluating things. And sometimes that does create issues for us in trying to compare them to each other. Are you saying, though, that they need to have a consistent approach?

MR. WILSON: I would emphasize the word consistent as opposed to identical. And, again, I don't feel like I have enough information to be certain that they are inconsistent, but it just doesn't appear that way to me when I hear some of the utilities emphasizing a more IRP-based process that does seem to be more like the avoided generating unit process, and I hear others emphasizing the avoided energy and capacity cost approach. And I just think we need to have this aired in a very comprehensive manner, so that it is clear, and that we have thought through it carefully as to how we are valuating the benefits. You know, I wish I could be more definitive at this point, but I'm giving you my opinion at this point in the process.

COMMISSIONER McMURRIAN: Thank you.

Mr. Chairman, is it okay if I ask --

CHAIRMAN CARTER: You're recognized.

COMMISSIONER McMURRIAN: -- Ms. Clark about that, as well.

MS. CLARK: Just so I'm clear, you're referring to Slide 7?

COMMISSIONER McMURRIAN: Slide 7, the last bullet on Slide 7 about not appearing to use consistent approaches. I guess we should ask are you using consistent approaches; and if not, why not?

MS. CLARK: Two things I would point out. I think the utilities have used these methods in the past to develop their goals and you have reviewed them numerous times, and you have never found them to be deficient.

The other thing is that there is consensus among the utilities on the process that was presented to you today. The utilities continue to discuss the approaches for these studies which will help in getting consistency across the utilities. And as I think Mr. Wilson indicated, it's just -- I think he needs more information to be clear about how the approaches compare.

COMMISSIONER McMURRIAN: But today, you are not using -- the utilities aren't using one consistent approach, do I understand that correctly?

MS. CLARK: No, I don't think -- I'm sorry. I don't

think that you could conclude that they aren't. If there are some minor inconsistency, then maybe I would have to ask and get a little more information. But I think the collaborative process and having SACE and NRDC involved will clarify that.

COMMISSIONER McMURRIAN: Okay.

And I did have one other question.

CHAIRMAN CARTER: You're recognized.

COMMISSIONER McMURRIAN: I actually think it would be -- this is in response to Slide 8.

CHAIRMAN CARTER: Slide 8?

COMMISSIONER McMURRIAN: Slide 8. Mr. Wilson on the last bullet on that page talked about a method to value efficiency based on avoiding a generating unit in part, and he raises that question, and so I guess I wanted to ask that question, too.

Are utilities using a method to value that? It's a reduction in the generating unit size, I suppose, as opposed to totally avoiding the whole unit.

MS. CLARK: I would ask others to chime in, but it's my understanding that in determining the value that the full value of cost avoided is used.

COMMISSIONER McMURRIAN: Mr. Wilson, did that help you?

MR. WILSON: I think we have an opportunity for further dialogue.

COMMISSIONER McMURRIAN: To work on that? Okay.

MS. CLARK: Mr. Chairman -- I'll just wait.

CHAIRMAN CARTER: You may proceed.

MS. CLARK: No, I'm sure --

CHAIRMAN CARTER: Is it related to --

MS. CLARK: No, it is a general comment.

CHAIRMAN CARTER: Okay. I will come back to you for those. For it.

Commissioner Argenziano.

COMMISSIONER ARGENZIANO: Yes.

I thought I heard you answer a question of Commissioner McMurrian's as to saying something -- I don't want to put words in your mouth, but I thought I heard you say that it would develop into a more consistent approach.

MS. CLARK: Well, I guess, let me answer it in two ways. I don't know that there are inconsistencies today, but if there are, if they are significant. But what I would say is that regarding the potential study that is being done and the collaborative work that's being done, there is consensus among the utilities that the process that is presented is the right way to go, and that the utilities will continue to discuss among themselves the process and how you evaluate. So there is likely -- so the opportunity for consistency is there.

COMMISSIONER ARGENZIANO: Okay.

CHAIRMAN CARTER: You're recognized.

COMMISSIONER ARGENZIANO: Mr. Chairman, with all due respect that tells me then there isn't consistency.

MS. CLARK: No. What I'm trying to suggest is we don't believe there is today; and if there is, I don't believe it is significant. But as we go forward in doing the goals through the process that -- the collaborative process and developing the economic and achievable potential there continues to be dialogue, so that will help to make, in the future, the consistency that may be desirable.

But I would also offer, you know, that there are different customer base, different climate zones, you know, different types of generation that may be added that, you know, will change measures that are cost-effective for one utility that will make it not cost-effective for another and their customers.

COMMISSIONER ARGENZIANO: Thank you.

CHAIRMAN CARTER: Commissioners?

Commissioner Skop, you're recognized.

COMMISSIONER SKOP: Thank you, Mr. Chairman.

Just a quick question to Mr. Wilson on Page 18. I guess in his chart he indicated that Florida somewhat lags behind other geographic regions in the state -- I mean, in the nation as well as the state of California. I guess, Mr. Wilson, part of this Commission's charge as well as the utilities that provide the service to the consumers is to keep

the lights on. And I guess in historical years Florida has experienced a substantial growth rate which requires, you know, additional base load generation. So in that regard -- I mean, I clearly believe that additional demand-side management measures are appropriate and should be incentivized, and so I agree with that. The problem I'm somewhat having is noting that, you know, that base load generation needs to be a part to have that reliability that we seek.

But I do think that -- I just wanted to get your thoughts on whether -- how do you balance those two. Because, I mean, I agree with you that the cheapest kilowatt is one that is conserved, and we need to do more and have that paradigm, that win/win paradigm that maybe is a change of old thinking. But I agree that if we can get those conservation kilowatts we should do everything possible. So how would you temper those competing interests, if you will?

MR. WILSON: Well, I think if one of the utilities came before you with a generation plan that was skewed towards peak and had inadequate base load generation, you would be concerned. And you would say you're going to be operating this system -- you're going to be operating these peak plants too much. This is not the way to run the system. I want to see a different generation plan. And I think that that is sort of the functional equivalent of the type of energy efficiency programs that have been brought forward by the utilities

historically in the state. And this goes back a long time. This is sort of an engrained approach.

Florida is still doing better than the rest of the Southeast in that respect. If anything, utilities in other states are even more demand capacity avoidance focused than Florida in terms of comparing those two aspects of their energy efficiency programs.

But I think that this is, frankly, a policy result. The RIM test drives you towards policies that focus on capacity avoidance and not on energy savings. And in other parts of the country policy decisions have been made to focus on the total Resource Cost Test, or the utility cost test, or even just kind of to transcend those simplistic tests and operate just aggressive energy efficiency programs that are sort of integrated in a format like the Northwest Power Council uses. Power and Conservation Council, excuse me.

And so I think you see with -- their situation on this graph is a little bit anomalous because they have a large hydroelectric capacity, and so the valuation of capacity avoidance is not very well measured there, because they tend to use hydroelectric for peak, and so it is pretty hard to avoid that because that is pretty much how they are always going to operate those facilities. So what they are actually avoiding there is more intermediate and base load generation, even with a peak measure, because you are simply shifting the opportunity

for hydroelectric for peak down to intermediate, and that is their low cost generation resource.

So I think, you know, this is not saying that there shouldn't be baseload power plants in Florida. This is not that at all. It's saying that the program could be re-oriented in a way that helps you avoid baseload power plants more effectively than it does now.

COMMISSIONER SKOP: Thank you.

And I tend to agree with you to the extent that if you can find cost-effective ways to encourage consumers to shift demand away from peak, that that should, in theory, defer the need to bring on the next incremental base load generating unit. It might not avoid it completely, but at least, you know, if you can push it off a year or so that is also a good thing. So I think that this is very helpful. Thank you.

MS. CLARK: Mr. Chairman, this might be a good time for me to indicate that we certainly -- we don't agree with this sweeping statement on Page 8 that energy efficiency is widely recognized as the less expensive. I think what we need to remind you is that is something you look at every time you have a need case in front of you. You look at whether or not there is enough cost-effective energy efficiency so you don't need that plant. So you look at that every time you do a need determination and determine, in fact, that there isn't enough to defer the plant. So I think to suggest that you -- this

Commission hasn't been looking at this and done a good job over time is a little misleading.

The other thing I would add, if you look at this particular chart just to comment on capacity versus energy savings, you'll notice that it is only two years, and it doesn't give you a true picture of how much Florida has done over the last 20 years. Which in a slide that you have gotten from Mr. Masiello about a year ago, it shows Florida does very well in terms of not only capacity savings, which is, of course, where the big bucks are, but also in energy savings.

So if you look over that long period of time where Florida and this Commission has focused on those things, we do have a lot of energy savings. And, in fact, the information I have here is that for Florida Power and Light, twelve plants have been avoided through the energy efficiency and DSM programs. So I just wanted to make that general comment.

Along those lines, there are number of things that we disagree with the data that is presented and how it is looked at, but we don't think this is the place to debate those things because we continue to work with SACE and NRDC to, at least, talk about those issues. And if we can't reach consensus, at least get a sharper focus so that when it does come before you, you can focus on those things you need to do in terms of making your decisions.

CHAIRMAN CARTER: Thank you, Ms. Clark. Detente is

always appreciated.

Commissioner McMurrian.

COMMISSIONER McMURRIAN: Thank you. I did have a couple more.

Mr. Wilson, with respect to Page 15 where you were talking about incentives and you talked about the customer-owned -- the customer incentives and the utility incentives. But with respect to the utility side, you said that you were generally supportive. Are there -- and I think at some point we mentioned the California model and how they apply their incentive approach, and I know that that is on top of decoupling, and that sort of thing.

But are there approaches in other states that have worked particularly well and those that haven't worked well with regard to incentives?

MR. WILSON: There has been surprisingly little sort of third-party evaluation of the very different approaches that states have taken to incentivizing energy efficiency for utilities. In fact, one of the real challenging points for our organization in terms of comparing different state systems is that there is no sort of widely accepted regulatory benchmark as to how to measure the size of the incentive payment.

So, for instance, you are very familiar with the rate of return concept, return on investment that is used for capital investments. But energy efficiency programs are by and

large, with some modest exception, expenditure based systems, not capital investment systems. The utility retains ownership of a relatively small amount of the money expended in the programs over time. And so a return on investment is sort of a very difficult concept to apply, you know, even if the utility capitalizes those expenditures, because there is no asset there that really is being valued.

So there is a couple of different concepts that we have explored using to benchmark different utility incentive programs across the country. I don't think any one is perfect. The one that we think is easiest to understand, at least, is the shareholder earnings divided by program costs. So it's basically sort of a return on expenditures, if you will. And when you use that benchmark, the programs we have evaluated across the country have a return on program costs on an after-tax basis of around 6 to 10 percent with a couple -- with one exception that we are aware of that is above 10 percent.

And in terms of how they have performed, what's also interesting is that there has been very little sort of modeling or study of whether these incentive programs actually encourage more effort on the part of utilities to invest in energy efficiency. The best work I have seen is some recently presented analysis by Lawrence Berkeley Laboratories that has looked at comparing all of these different incentive mechanisms that are used across the country and its impact on what they

call a prototypical southwestern utility. So they have taken sort of the operating characteristics of three or four utilities in the southwest and sort of merged them into one. And the operating characteristics do really matter in these settings.

The thing that I find most interesting is that most of the predominantly used incentive approaches across the country tend to have diminishing returns to the utility to scale, so that they are -- and so that's kind of counter-intuitive to how you would want an incentive program to operate. Some of the preliminary results from those analyses that I think look interesting suggest that the one exception to that is the approach used in Nevada where they have a return on equity adder for a capitalized expenditure of energy efficiency.

And I realize these are getting kind of complicated here. But in that case, the incentive appears to be relatively flat or maybe even increasing to scale slightly. But it really -- once you get to that level of discrimination, it really depends on the utility's operating characteristics, you know, how much of its power it purchases versus how much of the power it generates itself. All of those factors start to really play into an equivalency determination.

And if you want to see how exhausting such an evaluation can be, I would urge you to look at the docket for

the California shared savings program which is monumental in size. It was an extremely complex deliberation, and I'm not -- I'm certainly not going to represent that I understand everything that went on in that deliberation, because it probably would take an army of analysts that would fill this room to fully understand everything that went on in that proceeding.

Does that help answer your question?

COMMISSIONER McMURRIAN: It does. Thank you. I think that -- we have talked about them in some past workshops, and I have heard at NARUC meetings and others a little bit about California and some of the other states' models, but I think what you have said is consistent with what I have heard as far as feedback about those programs, that there is little evaluation of how those programs have worked. And California's most recent approach hasn't been in place that long, I don't believe, for us to get good results.

MR. WILSON: That's correct. The first-year results from the latest iteration of their program are just coming in now. But I think, you know, some of the folks who could at least help you understand the questions, maybe not give you the answers, would be the analysis that is being done out of Lawrence Berkeley Laboratories. They are doing some really interesting work.

COMMISSIONER McMURRIAN: Okay, thank you.

And I do have one more question, I think.

CHAIRMAN CARTER: You're recognized.

COMMISSIONER McMURRIAN: And this I will go back to the utilities. I have lost it.

The slide with the recommendations on valuing benefits. There it is, Page 12. And I wanted to see if you all had feedback to these recommendations of Mr. Wilson with respect to these or -- and understanding what his concerns are about how to value these benefits. Are there other recommendations in trying to help put a value on benefits. That has always, of course, been the hardest part of those tests.

MS. CLARK: I guess as I looked at this slide, the one thing I thought was sort of worth noting is I'm not sure what value there would be in inviting information from the Northwest Power Conservation Council. Their climate is certainly vastly different than Florida, so I don't know how much that data would translate. And, also, I think we have looked at -- let me see if I can find it. We have looked at some information about this council, and it appears to me that what they looked at goes beyond looking at the cost-effectiveness of energy efficiency.

I guess the bottom line is we don't see the benefit of doing this kind of workshop as we are developing the goals, the technical potential, the achievable and economic potential.

COMMISSIONER McMURRIAN: Mr. Chairman, I would just add that I didn't -- I realize it's putting you all on the spot. But, I mean, as we go forward and you each give us recommendations, it's good to hear back what the other side, so to speak, thinks of those recommendations. At some point when you have had a chance to think about it, I'm sure we have got points going forward where we would get comments from parties that would continue. Thank you.

CHAIRMAN CARTER: Thank you.

Commissioners, I'm going to go to staff unless there is anything further from the bench.

Staff, you're recognized.

MR. BALLINGER: Thank you, Chairman Carter. I just have a handful. It's getting on my favorite time of day.

If you could please turn to Slide 5. And I'd like to know, the cost included, does that include utility and participant costs in this data, or do you know?

MR. WILSON: I believe it varies to some extent, but I would have to talk with the study author to see exactly. It really depends on the utility's reporting approach. My recollection is that when he was given the choice between data sets, he was focusing on the utilities' costs and not on the total cost in this analysis.

MR. BALLINGER: Okay. If you get verification, just let me know.

MR. WILSON: I can provide you with the full study and put you in contact with the author to get the direct -- I mean, I think that would be better than going through a middle man.

MR. BALLINGER: Thank you. I would appreciate that.

Slide 6 where you talk about the cost-effectiveness manual should be revised. Is this critical before we go to the goal-setting process, or is this something that maybe could be put on a back burner until we get through this process? I'm trying to juggle a bunch of balls here in the air.

MR. WILSON: I think what is critical is that we get these questions at least directionally resolved so that the data and the findings of the economic and achievable potential study are presented to the Commission in the simplest possible context. I think if we have eight or ten different approaches and methods of evaluation, it could be hopelessly confusing. So I think it would be good to narrow it down to the information the Commission really wants to see at the end of the process -- early in the process. And that will avoid utilities, you know, putting a lot of computational and analytic resources into analyses that may not be of particular interest to the Commission.

Whether the manual itself needs to be functionally, you know, procedurally revised, you know, I'm not offering a legal opinion on that. I'm not a lawyer, and I'm certainly not

a utility lawyer. So I would defer to the Commission and the staff to sort out how best to give the advice.

MR. BALLINGER: Okay, thank you.

And if you could turn to Slide 9, I believe it is. And I found this interesting. If I read this correct, it shows me that obviously energy efficiency is cheaper than all sorts of generating alternatives, but within that it is showing like biomass and landfill gas are cheaper than a combined cycle unit under all scenarios. Am I reading that right?

MR. WILSON: That is what this Lazard study reports, yes.

MR. BALLINGER: And that solar PV is cheaper than a gas peaking unit?

MR. WILSON: That is what this study reports, yes.

MR. BALLINGER: Okay. And this was done in 2008, it looks like from the study?

MR. WILSON: Yes. This is, I believe, July 2008. They do, I think, an update twice a year, and I think this is the July update.

MR. BALLINGER: Okay, thank you.

Back on Slide 15. I think you mentioned with the incentives for customer-owned systems that you thought utilities should have flexibility in offering incentives. And I think you were saying like perhaps one month offer a $100 rebate, and if they find that that is not working, maybe make

it 150 the next month to drive the market.

How does that mesh with the Commission, one, approving a program with a rebate amount, because that changes the cost-effectiveness level; and, two, recovery of those costs? It kind of seems like that concept would give the utility a blank check. They would have to account for it at the back end, but I'm trying to --

MR. WILSON: I think a lot of those details would need to be worked through with the utility's individual program filings, but sort of at a high level. First of all, the amount of the incentive actually doesn't matter for the total resource cost test. It's just simply a shifting of who pays. But from that analytic perspective, the value wouldn't be affected.

You know, if the RIM test is retained as an essential component, then it would affect the cost-effectiveness test. But I think the other approach that is often used is to, basically, give the utility sort of a range of the average incentive that is offered under a program on, say, a per kilowatt hour saved basis or some notion like that. Again, that's why I'm saying you have got to look at it sort of on a program-by-program basis and how they are being offered.

But the point is, also, that the structure, even if the incentive amount varies relatively little, sometimes the structure of the incentive seems to make a difference. I noticed that commercial retailers will often offer $100 off

appliances $500 or more, and then the next month they will offer 20 percent off appliances $500 or more. So, I mean, for whatever reason they seem to be reaching out to customers who listen in different ways. And I think if you sort of prescribe that the utilities have to come in for approval every time they want to make any alteration whatsoever in their incentive payment, that that is an invitation for endless proceedings before the Commission of dubious interest.

But I think at the same time the point of concern that you are raising is dead-on. You have got to make sure that this is being done in a fair way and that the utilities aren't just sort of running up the tab on the ratepayers. So I think there's a balancing approach that can be taken.

MR. BALLINGER: And did I hear you earlier a few times, I think, say that the statute doesn't have any language in there to say balance nonparticipant interest and things -- to look at ratepayers as a whole, and that's why you believe it says the TRC test?

MR. WILSON: That's correct. I'm referring to the entirety and to this specific subsection of 366.823.

MR. BALLINGER: Okay. But in Subsection 7 of this new statute, it says in there in approving plans and programs for cost-recovery, the Commission shall have the flexibility to modify or deny plans or programs that have an undue impact on the cost passed on to customers. So is that the balancing

language that the Commission must still recognize?

MR. WILSON: I believe that language is referring to the program and plan approval process and not to the goal-setting process.

MR. BALLINGER: Okay.

MR. WILSON: And so at the goal-setting process, I don't believe the RIM test is warranted, but that is why we specifically mentioned on Slide 17 that the rate impact measure test could be used in program design, just not during the goal-setting process.

MR. BALLINGER: Okay, thank you. That's all I have.

CHAIRMAN CARTER: Thank you, staff.

Commissioners, anything further?

Let's do this. First of all, give both sides an opportunity for concluding statements, and then we will proceed further with staff to take care of our housekeeping matters.

Mr. Cavros, anything further?

MR. CAVROS: I don't have a concluding statement. Thank you for the opportunity, though.

CHAIRMAN CARTER: Okay. Thank you.

Ms. Clark.

MS. CLARK: Mr. Chairman, we don't really have a concluding statement, either, but we just ask your reaction to extending that time for filing to July. The surveys took a little bit more time, and we think that was worthwhile. As I

understand his comments, I think, SACE sees value in continuing this collaborative process, which may push out the filing a little bit. It should save time later on, we think. And I think the utilities have said to staff that they can provide some information on the economic studies as they go along. So I would be interested in your reaction to that. We would like to have you confirm that July would be an acceptable date.

CHAIRMAN CARTER: Let me see before I go to my colleagues.

Mr. Cavros, you heard about the request for the time from the companies?

MR. CAVROS: We have no objection to that.

CHAIRMAN CARTER: Commissioners, do you want to hear from staff before we deliberate?

Staff, you're recognized.

MS. FLEMING: Yes, Commissioner. Staff will work with the utilities and SACE and NRDC with respect to that request. We really need to look at the Commission calendar with respect to availability for an additional hearing later on, and to also look at the timing of pushing this testimony to July with the respect of moving the hearing two months later, and how that will impact the post-hearing recommendation and the final order in this docket. But we will continue to work with the utilities and keep you apprised.

CHAIRMAN CARTER: I'm thinking aloud. Let me hear

from the bench and see what your thinking may be, Commissioners, on this matter. I see where staff is saying that we have got to -- we don't want to run into the back end of it, but I believe I interpreted what you said as having -- meaning that you could make it within the confines of where we are now if we were to do that. Is that correct, or did I misread that?

MS. FLEMING: Well, staff's concerns are with the schedule that we currently have set forth were able to implement these goals in 2010. Our concern, if we move everything back by two months, we may be constrained at the back end with respect to getting a final order out for the utilities to be able to implement these goals when they need to. We would request that we be given additional time to discuss with the utilities, rather than making a decision today, to see if there is maybe another alternative with respect to the filings.

CHAIRMAN CARTER: Yes, because I was just -- as I said, I'm just thinking aloud. I really don't want to lose that time for implementation. That kind of puts us -- maybe we could work together with staff and --

MS. CLARK: In suggesting that time frame, we are not suggesting that all the other things that follow would likewise be bumped the same amount of time, and we understand that these need to be in place for the 2010 time frame.

CHAIRMAN CARTER: I would request that you guys continue to detente between the parties and work with staff and --

Commissioner Argenziano.

COMMISSIONER ARGENZIANO: I guess I have some concerns that some of the issues that were brought up today have not been addressed fully, like economies of scale and other things. I think that we do need to find out about are there different costs realized when you look at economies of scale and shouldn't they be included in this conversation, and some of the others things that were brought up by both sides. So I think we need to maybe hold off and get some more information.

CHAIRMAN CARTER: Okay. Commissioners.

COMMISSIONER ARGENZIANO: What I mean by hold off, keep moving, but --

CHAIRMAN CARTER: Keep moving. Okay. I read you.

Commissioners, anything further?

And I think that what I read Commissioner Argenziano to say is what I was thinking aloud, is that we obviously work toward implementation, but as much as possible to continue to work with the parties and work with our staff to -- and, staff, I'm assuming, as always correctly, is that you were taking far better notes than I was during this process, so we can identify that -- I noticed they were talking about cost-effectiveness of

energy efficiency. Some of the questions that I raised, I think that from -- these are my terms -- some of the responses were maybe generating something tantamount to class warfare, and we really don't want to do that. That was my term, class warfare. But we do want to incentivize customers, both those that are doing well and those that are not doing so well to participate fully. Because, as we always say, the cheapest kilowatt is the one that we don't have to generate, or megawatt, or gigawatt.

But I think that staff - why don't we do this, Commissioners, instead of -- why don't we have staff come back to us with a recommendation on this time frame? What would be your thoughts on that, rather than just kind of throw it all out there now? What do you think?

MS. CLARK: Mr. Chairman, we will certainly work with staff on the July date and the subsequent dates to ensure that it meets the requirement of having something in place and gives you time to make your decisions and hear the information. So we appreciate your being at least amenable to that.

CHAIRMAN CARTER: Yes. And, staff, come back to us if we need more time. I mean, let us know so we can -- I mean, ahead of time, so to speak, so we can kind of adjust accordingly. But I do think it's appropriate to -- we have got this spirit of comradery -- what's that, comradery, that guy -- and we want to continue this.

And, first of all, let me say to all of the companies represented as well as to the Southern Alliance for Clean Energy, and NRDC, and other stakeholders how much we sincerely appreciate this opportunity to have you come before us in a spirit of cooperation and deliberation. I think that is when we get our best thoughts and we get our best things, and we want to continue to have Florida on the forefront of that.

So, Staff, come back to us with a recommendation after you have talked to both of the parties that some of the things that both were raised here at the bench as well as some of the questions that both of the parties had raised on their part.

With that, Ms. Fleming, where are we in terms of procedurally?

MS. FLEMING: Procedurally, we would suggest that if there are any parties that wish to file post-hearing -- or post-workshop comments that they do so by November 18th. We would like to note that this is docketed and set for hearing, so any post-workshop comments that will be filed will be filed in the docket file. If any party intends to make that part of the record, they need to make sure to include those as part of their prefiled testimony when that time comes.

CHAIRMAN CARTER: Commissioner Argenziano.

COMMISSIONER ARGENZIANO: In regards to the economies of scale issue, if staff could -- I hope they have within their

wherewithal information regarding economies of scale, cost reduction, as well as the cost to build larger facilities for those cost reductions, if you follow what I'm saying. That information to me relates to economies of scale in general. And I don't know if it is readily available, but I would like to know if you build a larger plant, is it cheaper, is it more cost-effective in the long-run, and how much more does it cost to build a larger plant?

CHAIRMAN CARTER: Thank you.

Commissioner McMurrian, were you comfortable with -- Staff, I hope you were getting the -- as I said, I'm sure that you captured the nature and the flavor of the questions that came from the bench so we can do that. And, again, Staff, if there is a problem, please come to us so we can maintain our schedule, or if we need to grant additional time, then we will do that, because it is more important -- I mean, it's more important to have a better product than to say we met a deadline that we imposed on ourselves.

MS. FLEMING: And, Chairman, to that end, we will, like we said, meet with the parties to discuss dates beyond July and how we would address any issues that may arise if we move everything to July. We will also check with the calendar to see what availability we have for a hearing date later on in the year. And with that, we'll advise each of the offices as to the availability, and we will move forward. And when the

OEP is issued, we can make sure that we have already incorporated whatever date is amenable to everyone.

CHAIRMAN CARTER: Thank you.

Commissioners, anything further from the bench?

Staff, anything further, any concluding matters?

MS. FLEMING: We have nothing further. Thank you.

CHAIRMAN CARTER: Let me just say, Jane, thank you for -- I didn't give you a break today, but we did have teeny-weeny break. But I want to say to our court reporter, who is a loyal trooper, she has been firing away over there. Thank you for your efforts.

Thank you to the parties.

We are, Commissioners, adjourned.

(The workshop concluded at 12:17 p.m.)

STATE OF FLORIDA)

: CERTIFICATE OF REPORTER

COUNTY OF LEON)

I, JANE FAUROT, RPR, Chief, Hearing Reporter Services Section, FPSC Division of Commission Clerk, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 18th day of November, 2008.

JANE FAUROT, RPR
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