BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Commission review of numeric conservation goals **(Orlando Utilities Commission)**

Docket No. 130204-EM
Filed: September 13, 2013

ORLANDO UTILITIES COMMISSION RESPONSES TO STAFF'S FIRST DATA REQUEST

The Orlando Utilities Commission (OUC), by and through its undersigned counsel, provides the following responses to Staff's First Data Request.

Staff Question 1.

Did OUC consider using Duke as a proxy for its conservation goals?

a. If yes, why did OUC elect to propose a proxy based on TECO instead of Duke?

b. If no, does OUC believe Duke may be a reasonable proxy for it conservation goals? Please explain answer.

OUC Response:

a. OUC evaluated the comparability of all the FEECA utilities, but TECO was chosen because TECO is the FEECA utility that is the most like OUC based on load characteristics, climate zone, and generation fleet. A major driver in determining the economics of conservation measures is the need for future generation. OUC's need for generation is outside of its current Ten-Year Site Plan ("TYSP"); however it is anticipated that the next new generation will be a combustion turbine unit. According to their 2013 TYSP, Duke's next planned generation additions that will be submitted for a Need for Power determination are two 1,189 MW combined cycle units, one in June 2018 and one in June 2020 and a 187 MW combustion turbine in June 2022. TECO's next new planned generator is a 190 MW combustion turbine unit in May 2020. Based on these planned additions, TECO's avoided unit is the same type and closer in timing to OUC's next avoided unit and therefore is a better proxy for OUC.

   Also in considering a proxy utility, it is important that the changes from the 2009 goal setting process to the 2014 goal setting process are similar for the proxy utility and OUC. Defining the avoided unit as the next new unit shown in the TYSP that is not under construction or for which a Need for Power determination has not been completed, the following table compares the avoided units from the 2009 TYSPs and the 2013 TYSPs.

Utility	2009 Avoided Unit	2013 Avoided Unit
OUC	None	None
TECO	56 MW Combustion Turbine 5/12	190 MW Combustion Turbine 5/20
Duke	178 MW Combustion Turbine 6/14	1,189 MW Combined Cycle 6/18

OUC believes that TECO represents a better proxy than Duke.

b. OUC believes TECO is more similar to OUC's system and therefore a better proxy, but OUC is relatively impartial with respect to which utility is utilized as the proxy since the proposal by OUC is to utilize the formulaic approach. OUC is willing to accept Duke as the proxy if that is deemed by the Commission to be a condition of approval for granting OUC's Petition for Partial Waiver. OUC's main goal is to save rate payer funds by avoiding a lengthy and expensive goal setting process.

Staff Question 2.

Please complete the table below summarizing the estimated 2014 and 2015 bill impact ($/1,000 kWh) associated with outside consultants.

OUC Response:

OUC assumes the question relates to the cost of consultants that would be avoided if the Petition for Temporary Waiver from Rules 25-17.0021(2) and (3), F.A.C., (OUC Petition) is granted. A rough estimate is derived by dividing $400,000 (the best estimate of the total cost to have the consultants do the normal analysis required under this Docket) by two simply because it is uncertain exactly when and in what proportion the $400,000 would be spent during 2014 and 2015. Then taking the resulting $200,000 and dividing it by 2014's and 2015's forecasted kWh sales to Ultimate Consumers of 6,149,000,000 and 6,248,000,000 respectively, times 1000 kWh's equals $.0325/1,000 kWh's and $.0320/1,000 kWh's . Stated another way, the cost is $1.82 per customer based on OUC's forecast of 2014 customers ($400,000/219,537 customers). OUC has made significant cuts in capital costs and operation and maintenance costs in an effort to reduce ratepayer's bills. These efforts resulted in a base rate reduction of 6.0% effective October 1, 2012. Those same efforts to reduce costs and reduce rates continue today. Despite how small it may seem depicted in the chart below, $400,000 still has a significant impact on OUC and its customers and is contrary to OUC's commitment to maintain affordable rates.

	$400,000 Cost Estimate $/1,000 kWh
2014	**$0.0325/ 1000 kWh**
2015	**$0.0320/ 1000 kWh**

Staff Question 3.

Please confirm that the formula proposed in Column C of Tables 1, attached as Exhibit A to OUC's Petition for Temporary Waiver from Rules 25-17.0021(2) and (3), F.A.C., (OUC Petition) should be the ratio of Column B/Column A.

OUC Response:

Yes. Column C should be Column B/Column A. The years in the Column C heading should be transposed and should be "2014/2009". A corrected Exhibit A is attached.

Staff Question 4.

Given that TECO's current goals include demand and energy reductions associated with 2-year payback measures and OUC's goals do not include such reductions, how would OUC account for a reduction in its goals if the reductions associated with these measures are removed from the TECO's goals?

OUC Response:

OUC believes that inclusion or exclusion of 2-year payback measures in the goals is part of the overall goal setting process which will be determined in TECO's docket and as such should not be subject to specific adjustments. Nevertheless, if the Commission removes them from TECO's 2014 goals and the Commission believes they should be removed from TECO's 2009 goals in the calculation in Exhibit A, OUC will not object.

Staff Question 5.

Please provide an example of how each key issue listed on Pages 4 and 5 of OUC's Petition would impact demand and energy reductions from DSM.

OUC Response:

a. Natural Gas Costs. The emergence of "fracking" has substantially reduced the cost of natural gas and that has significantly reduced overall fuel costs for OUC. In fact, OUC cited the "reduction in the price of natural gas" as the reason for the March 1, 2012 fuel rate decrease that resulted in 10.7% reduction in fuel revenue. Lower fuel cost reduces the avoided generation costs and therefore the cost-effectiveness of conservation measures resulting in a fewer number of measures that would pass the standard economic tests such as RIM and TRC.

b. Reduced Load Growth. Lower load growth has pushed OUC's need for future generation out of the 10-year goals planning horizon. The resulting lower avoided generation cost reduces the cost-effectiveness of conservation measures, which also reduces the number of measures that would pass the standard economic tests such as RIM and TRC.

c. Changes in Codes and Standards. Building codes and product standards are updated from time to time through legislation and require more efficient equipment to be installed and they become a new "standard" or "baseline". For example, The Energy Policy Act (EPACT) of 2005 required manufacturers to stop producing magnetic ballasts for most T-12 fixtures after June 30, 2010 and most T-12 lamps after July 2012. As new requirements for more efficient equipment to be sold become law, there is less need for rate payer funded subsidies. In this example, it could be argued that T-8's become the new baseline and savings from T-12 retrofits would not be counted towards goal attainment. Adjusting this one baseline would have a large effect on how much conservation OUC could achieve through lighting retrofit programs, one of OUC's most successful customer conservation programs.

d. New Technologies. As new conservation measures are developed, the universe of potential conservation measures expands. For example, LED's are an emerging technology that will be considered in this goal setting process.

Staff Question 6.

Please refer to Page 5 of the Petition. OUC states that industry conditions have changed, including "(b) Lower load growth pushing the avoided unit out of the 10-year goals planning horizon for OUC." OUC further states that "These changed conditions will be fully adjudicated in TECO's Docket 130201-E1 and the formula in Exhibit A will reasonably apply those changed conditions to OUC's goals." Please explain how TECO's annual numeric goals will be representative of OUC's avoided generation costs?

OUC Response:

TECO's need for new generation is sooner than OUC's, but as the closest FEECA utility to OUC in terms of projected need for new generation it is a reasonable proxy for OUC's avoided generation cost. Both OUC and TECO's avoided generation is based on a combustion turbine. Like most utilities in the state, OUC and TECO have seen the need for new generation pushed out as is evident from a comparison of the 2013 Ten Year Site Plans (TYSP) of each to those filed in 2009. In TECO's 2009 TYSP new generation additions were forecasted beginning in May 2012. In TECO's 2013 TYSP the need for new generation is forecasted for an in-service date of May 2020. Since TECO's need for new generation is sooner than OUC's, it is reasonable to expect more measures will pass the standard economic tests (RIM, TRC) for TECO than for OUC. Therefore using TECO as a proxy and the formula shown in Exhibit A is a conservative approach in that will lead to higher goals for OUC.

Staff Question 7.

Does OUC believe that participation in the full goal-setting process would yield similar results to the Company's proposed proxy method? Please explain your answer.

OUC Response:

Yes. OUC believes that if it were to participate in the full goal-setting process, the resulting goals would be very similar, if not lower, than those results that will be yielded by the proposed proxy method. This belief is based on the assumption that the full goal setting process will be applied to TECO (or such other proxy as may be agreed by the Commission) in its goal setting docket. If so, then than docket will consider all of the factors that would contribute to determining the conservation goals for OUC if it were to participate in the full goal-setting process. In all likelihood if the proxy method is used, OUC's goals will be higher than those which would result in a full goal-setting process. This is true as explained in OUC's answer to Staff Question 6 because TECO's avoided cost due to new unit additions in the next 10 years will be higher than that of OUC due to TECO's earlier anticipated need for new generation.

Respectfully submitted,

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EXHIBIT A

OUC Abbreviated Process for Developing 2014 Conservation Goals

Calculation Method

The example calculations are presented for annual energy for the residential sector, but the calculation method will be the same for the commercial/industrial sector and for winter and summer peak demand.

Table 1 TECO Residential Energy Goals

	A	B	C	D
Year	2009 Goals (1)	2014 Goals (2)	2014/2009 Ratio (3)	Percent Increase (4)
	GWH	GWH		
2015	23.0	17.2	0.75	
2016	21.3	16.0	0.75	
2017	19.4	14.5	0.75	
2018	18.3	13.7	0.75	
2019	17.3	13.0	0.75	
2020		13.3		2.0
2021		13.5		2.0
2022		13.8		2.0
2023		14.1		2.0
2024		14.4		2.0

(1) From Order PSC-09-0855-FOF-EG
(2) Assumed for this example. Actual to come from Final Order for Docket 130201-EI.
(3) A/B
(4) Percent increase from Column B. For example 2020 = 13.3/13.0

Table 2 OUC Residential Energy Goals

	A	B	C	D	E	F
Year	2009 Goals (1)	Factor (2)	2014 Goals (3)	Percent Increase (4)	2014 Goals (5)	2014 Goals (6)
	GWH		GWH		GWH	GWH
2015	1.8	0.75	1.35			1.35
2016	1.8	0.75	1.35			1.35
2017	1.8	0.75	1.35			1.35
2018	1.8	0.75	1.35			1.35
2019	1.8	0.75	1.35			1.35
2020				2.0	1.38	1.38
2021				2.0	1.40	1.40
2022				2.0	1.43	1.43
2023				2.0	1.46	1.46
2024				2.0	1.49	1.49

(1) From Order PSC-09-0855-FOF-EG
(2) Table 1 Column C
(3) A*B
(4) Table 1 Column D
(5) Percent increase applied to Column C. For 2020 = 1.35*1.02.
(6) Column C and Column E.