

**BEFORE THE
GEORGIA PUBLIC SERVICE COMMISSION**

In re:)
)
)
Georgia Power Company's) **Docket No. 36499**
Application for the Certification)
of Its Amended Demand Side)
Management Plan)

DIRECT TESTIMONY OF

LARRY T. LEGG

March 19, 2013

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**ON BEHALF OF GEORGIA POWER COMPANY'S
APPLICATION FOR THE CERTIFICATION OF ITS
AMENDED DEMAND SIDE MANAGEMENT PLAN
DOCKET NO. 36499**

I. INTRODUCTION

1 **Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.**

2 A. My name is Larry T. Legg. I am the Manager of Market Planning for Georgia
3 Power Company (“Georgia Power” or the “Company”). My business address is
4 241 Ralph McGill Boulevard, N.E., Atlanta, Georgia, 30308.
5

6 **Q. MR. LEGG, PLEASE SUMMARIZE YOUR EDUCATION AND
7 PROFESSIONAL EXPERIENCE.**

8 A. I graduated from Mercer University in 1988 with a Bachelor’s degree. I joined
9 Georgia Power in 1990 in the Customer Service organization. From 1990 to 2006,
10 I held various staff and managerial positions in Customer Service, Sales, Software
11 Development, Revenue Accounting, and Pricing and Rates. During this period, I
12 attended Georgia State University and earned a Master’s degree in Business
13 Administration in 1997.
14

15 I was named Rate Design Manager for Georgia Power in 2003 where I led the
16 development of Rate Design for the 2004 Retail Rate Case. In 2006, I assumed
17 my current position as Manager of Market Planning for Georgia Power. In this
18 position, my responsibilities include the load, energy and revenue forecast, as well
19 as economic evaluation of Demand Side Management (“DSM”) and marketing
20 programs. I have previously testified before the Georgia Public Service
21 Commission (the “Commission”) in cases regarding the Integrated Resource Plan

1 (“IRP”), related IRP amendments, certification of demand-side programs and the
2 2008 Certification of Units 3 and 4 at Plant Vogtle.

3

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

5 A. This testimony is filed in support of Georgia Power Company’s Application for
6 the Certification of Its Amended DSM Plan (“Application”), filed on January 31,
7 2013 concurrently with the Company’s 2013 IRP.

8

9 **Q. DO YOU ADOPT THE APPLICATION AND THE 2013 IRP AS PART OF**
10 **YOUR TESTIMONY?**

11 A. Yes. I adopt the Company’s Application and 2013 IRP as filed on January 31,
12 2013 as part of my testimony.

13

14 **Q. PLEASE SUMMARIZE THE COMPANY’S REQUEST IN THIS**
15 **PROCEEDING.**

16 A. Georgia Power is requesting a Certificate of Public Convenience and Necessity
17 for one new DSM program, decertification of one previously certified DSM
18 program (though the program activities will be subsumed by an existing
19 program), and an amendment to the certificate of public convenience and
20 necessity for three DSM programs originally certified in Docket No. 31082
21 pursuant to Commission Rules 515-3-4-.09(1) and 515-3-4-.10, as well as
22 O.C.G.A. §§ 46-3A-3 through 46-3A-6 and 46-3A-8. In addition, the Company
23 presents updated economics for three certified DSM programs and other DSM
24 activities for Commission approval.

1 **II. PROGRAM PLAN DEVELOPMENT**

2
3 **Q. WHAT IS A DEMAND SIDE PROGRAM?**

4 A. As defined by Commission Rule 515-3-4-.02(12), a demand-side program is a
5 utility program designed to implement demand-side measures. A demand-side
6 measure is defined in Commission Rule 515-3-4-.02(11) as any hardware,
7 equipment, or practice which is installed or instituted for energy efficiency or
8 energy management purposes.

9
10 **Q. HAS THE COMPANY PREVIOUSLY DEVELOPED AND**
11 **IMPLEMENTED DEMAND SIDE PROGRAMS?**

12 A. Yes. Georgia Power currently has a number of demand side programs that provide
13 energy saving opportunities for its customers. Eight programs are currently
14 certified by the Commission. The Company holds a certificate for the Power
15 Credit DSM Program, originally certified in Docket No. 6315 and reauthorized by
16 the Commission in Docket No. 13305. Power Credit is a direct load control
17 program offered to the residential customer class. Additionally the Company
18 received certificates for seven other energy efficiency programs in Docket No.
19 31082. These seven programs include five residential and two commercial
20 programs, each with ten year implementation plans. Other DSM programs
21 available through the Company include weatherization assistance for low income
22 customers, energy efficiency information, assistance and awareness programs,
23 and demand response tariffs.

24
25 **Q. HOW DID GEORGIA POWER DEVELOP THE DSM PROGRAM**
26 **PLANS IN THIS APPLICATION?**

27 A. In developing the programs described herein, the Company followed the nine-step
28 process known as the “Top-Down Approach” approved by the Commission in the
29 2010 IRP. Georgia Power also met with the DSM Working Group (“DSMWG”)
30 eight times from 2011 through 2012 and generally reached agreement on the

1 DSM programs that would be included in the evaluation process. Additionally,
2 DSMWG subcommittee meetings were held in January and August 2012.

3

4 **Q. DOES THE PLANNING PROCESS USED TO DEVELOP THE**
5 **PROGRAMS FOR THIS FILING SATISFY THE COMMISSION'S DSM**
6 **EVALUATION RULE?**

7 A. Yes. Completion of the nine-step planning process, including the development of
8 the Updated Technology Catalog and other analyses, satisfies the requirements of
9 Commission Rule 515-3-4-.04(4).

10

11 **Q. WAS THE DSMWG INVOLVED IN THE DSM PROGRAM**
12 **EVALUATION?**

13 A. Yes. As previously discussed, Georgia Power met with the DSMWG four times
14 in 2011 and four times in 2012 in accordance with the nine-step process approved
15 by the Commission in the 2010 IRP Order. Additionally, the Company met with
16 DSMWG sub-committees twice in 2012 to discuss DSM program concepts and to
17 discuss modeling of a DSM case proposed by certain members of the DSMWG.
18 Finally, the Company conducted several telephone conference calls and shared
19 data with the DSMWG leading up to the 2013 IRP filing.

20

21 **Q. WHAT ASSISTANCE DID THE DSMWG PROVIDE IN THIS PROCESS?**

22 A. For the 2013 IRP, the Company filed with the Commission a new energy
23 efficiency potential study on January 31, 2012, along with an update filed on
24 December 4, 2012, which served as a starting point for identifying DSM programs
25 to analyze for consideration. The Company met with, discussed, and shared
26 presentations related to DSM program design details with the DSMWG at
27 multiple meetings in 2011 and 2012. A smaller sub-group of the DSMWG met
28 and identified program concepts and measures considered for economic screening
29 in support of the 2013 DSM development. Input from the sub-group participants
30 was used in developing the list of programs to analyze. The Company shared the

1 list with the larger DSMWG and requested feedback and any additional input to
2 the process. Consensus on programs to include in the analysis was generally
3 reached with the DSMWG. The preliminary results of the program economic
4 screening were also shared with the DSMWG in advance of the filing.
5

6 **Q. WAS THE PLANNING PROCESS UTILIZED SUCCESSFUL IN**
7 **IDENTIFYING A COST-EFFECTIVE DSM PLAN?**

8 A. Yes. The program planning process used in the development of the Company's
9 2013 DSM plan provided the Company and the DSMWG adequate time to
10 identify DSM programs that would be included in the evaluation process. Once a
11 general agreement was reached on the programs to be evaluated, the Company
12 analyzed the options and focused the design of its recommended case on those
13 design elements that attempt to maximize economic efficiency, as defined by the
14 Total Resource Cost ("TRC") test, while minimizing the impact to customers, as
15 measured by the Rate Impact Measure ("RIM") test.
16

17 However, while the program planning process was effective in identifying a cost-
18 effective DSM plan, there are a number of ways in which the planning process
19 could be streamlined and improved for purposes of the 2016 IRP planning
20 process. Several of the steps in the nine-step process are redundant with existing
21 program plans or are no longer needed.
22

23 First, the Company is collecting customer feedback on its current programs as a
24 part of its program evaluation protocol, and to require further information
25 collection as part of the nine-step process is unnecessary. Second, several energy
26 efficiency potential studies have been conducted for Georgia since 2005, with
27 each showing similar results, and therefore, there appears to be very little value in
28 conducting further studies in the near-term. Third, the Company's economic
29 evaluation methods for program planning are well-established at this Commission
30 and continuing to specify the manner in which active and passive DSM programs

1 are evaluated or requiring a comparison to system tools is unnecessary.

2
3 **III. DESCRIPTION OF DSM PROGRAMS**

4
5 **Q. PLEASE DESCRIBE THE NEW DSM PROGRAM THAT GEORGIA**
6 **POWER SEEKS TO CERTIFY.**

7 A. The Company requests that the Commission certify the EarthCents® Commercial
8 Small Business Program as described in the Application. The EarthCents
9 Commercial Small Business Program promotes the purchase of eligible high-
10 efficiency equipment installed at qualifying customer facilities. The program is
11 very similar in structure to Georgia Power's existing EarthCents Commercial
12 Prescriptive Incentive Program and EarthCents Residential Home Energy
13 Improvement Program and specifically targets small businesses that are
14 historically under-represented in energy efficiency program participation rates.
15 Key challenges that this market segment faces include:

- 16 1. Lack of access to capital;
17 2. Insufficient time and/or resources to investigate and review energy
18 efficiency improvements; and
19 3. Leased rather than owner-occupied facilities.

20
21 Program benefits include equipment with easily calculated savings,
22 straightforward and easy participation for customers, and reduced measurement
23 and verification costs. Rebates offered through this program serve to reduce the
24 incremental cost to upgrade to high-efficiency equipment over standard efficiency
25 options for these customers.

26
27 **Q. WHAT ARE THE GOALS OF THE EARTHCENTS COMMERCIAL**
28 **SMALL BUSINESS PROGRAM?**

29 A. The goals of the EarthCents Commercial Small Business Program are to increase
30 customer awareness and demand for high-efficiency, energy saving equipment

1 and increase the availability and market penetration of energy efficient equipment
2 that will result in long-term energy savings and peak reduction.

3

4 **Q. FOR WHICH CERTIFIED DSM PROGRAMS IS THE COMPANY**
5 **SEEKING AN AMENDMENT?**

6 A. The three certified programs for which the Company is seeking an amendment are
7 (1) Residential Lighting and Appliance, (2) New Homes, and (3) Commercial
8 Custom Incentive.

9

10 **Q. PLEASE DESCRIBE THE REQUESTED AMENDMENT TO THE**
11 **RESIDENTIAL LIGHTING AND APPLIANCE CERTIFICATE.**

12 A. The Residential Lighting and Appliance Program promotes the purchase and
13 installation of energy efficient lighting, lighting fixtures and appliances through
14 customer education, retailer partnerships/training, promotional giveaways of high
15 efficiency lights, and customer incentives. The Company is requesting to separate
16 the lighting portion of the program from the appliance portion of the program and
17 create two separate programs: EarthCents Residential Lighting and EarthCents
18 Residential Appliance. This change will allow the Company to optimize program
19 operations, marketing and outreach efforts, and the performance of each program.

20

21 **Q. PLEASE DESCRIBE THE REQUESTED AMENDMENT TO THE**
22 **RESIDENTIAL HIGH EFFICIENCY NEW HOME CERTIFICATE.**

23 A. The Company is requesting to amend the Residential New Homes certificate as a
24 result of the expansion of the program to include not only the performance
25 pathway but also rebates for select individual measures. The renamed EarthCents
26 Residential New Homes Program focuses on a whole-house approach to
27 improving the energy efficiency of new homes, promoting the installation of
28 energy efficient measures in new home construction, and improving the
29 performance of participating homes to at least 15 percent above the current
30 Georgia State Energy Code at the time the home is built. Additionally, it will

1 promote improvements in individual measures such as high efficiency electric
2 heating and cooling equipment and heat pump water heaters.

3

4 **Q. PLEASE DESCRIBE THE REQUESTED AMENDMENT TO THE**
5 **COMMERCIAL CUSTOM INCENTIVE CERTIFICATE.**

6 A. The Company is requesting to amend the Commercial Custom Incentive
7 certificate to incorporate additional non-lighting measures. The renamed
8 EarthCents Commercial Custom Incentive Program provides a platform for
9 comprehensive energy efficiency projects in larger facilities that go beyond single
10 measures and common efficiency practices.

11

12 **Q. WHY IS THE COMPANY SEEKING DECERTIFICATION OF THE**
13 **RESIDENTIAL WATER HEATING PROGRAM?**

14 A. The Company is requesting the decertification of the Residential Water Heating
15 Program in order to incorporate program measures into the existing EarthCents
16 Home Energy Improvement Program to allow for more efficient delivery of
17 service.

18

19 **Q. FOR WHICH CERTIFIED DSM PROGRAMS IS THE COMPANY**
20 **PRESENTING UPDATED ECONOMICS?**

21 A. The Company is presenting updated economics for the EarthCents Home Energy
22 Improvement Program, the EarthCents Refrigerator/Freezer Recycling Program,
23 and the EarthCents Commercial Prescriptive Incentive Program (all of which have
24 been renamed).

25

26 **Q. WHAT IMPACT ARE THESE DSM PROGRAMS EXPECTED TO HAVE**
27 **ON PEAK DEMAND?**

28 A. The Company currently estimates that its energy efficiency programs will result,
29 on average, in approximately 68 megawatts of peak demand reductions and 317
30 gigawatt hours of energy reductions annually at the customers' meters for 2014-

1 2016 based on the projected implementation levels. Cumulative peak demand
2 reduction is expected to reach 412 MW by year-end 2019.

3

4 **Q. WHAT IS THE IMPLEMENTATION SCHEDULE FOR THE DSM**
5 **PROGRAMS DESCRIBED IN YOUR TESTIMONY?**

6 A. The Company plans to implement the new DSM program in 2014 and begin
7 market and process evaluations approximately six to nine months after program
8 implementation. The Company will conduct impact evaluations approximately
9 nine to twelve months after program implementation, or as program participation
10 levels allow. Specific implementation plans for each program are included in the
11 ten-year program plans submitted in Appendix A of the Company's Application.

12

13 **Q. HOW WILL GEORGIA POWER MEASURE THE SUCCESS OF THE**
14 **THESE DSM PROGRAMS?**

15 A. Program performance and progress towards achieving established goals will be
16 tracked on a continual basis. In addition, Georgia Power will contract with
17 independent, third party evaluators through a Request for Proposal solicitation to
18 conduct comprehensive program evaluations at regular intervals (initially planned
19 for three year intervals). The evaluations will include market, process, and impact
20 evaluations to review the program's operations, evaluate the program's impact on
21 the local market, and verify the energy and demand savings produced by the
22 program.

23

24 **IV. CERTIFIED COST OF DSM PROGRAMS AND ADDITIONAL SUM**

25

26 **Q. WHAT COSTS IS THE COMPANY REQUESTING THAT THE**
27 **COMMISSION APPROVE?**

28 A. The Company is requesting Commission approval of the DSM program budgets,
29 costs associated with certain other DSM activities, and the Additional Sum
30 amount. The budgets and costs for the Company's DSM programs are set forth in

1 Appendix C-1 and C-2 to the Application.

2

3 **Q. IS THE COMPANY REQUESTING AN ADJUSTMENT TO THE**
4 **ADDITIONAL SUM FOR THESE DSM PROGRAMS?**

5 A. Yes. The Company is requesting an adjustment to the Additional Sum that would
6 be applicable to all certified energy efficiency programs, including, if approved
7 by the Commission, the EarthCents Small Business program.

8

9 **Q. PLEASE DESCRIBE GEORGIA POWER'S REQUEST FOR AN**
10 **ADDITIONAL SUM.**

11 A. The Company proposes to collect an Additional Sum equal to ten percent of the
12 verified gross energy savings of the net benefits from the Program Administrator
13 Test, similar to the Additional Sum approved in the 2010 DSM Certification but
14 without the adjustment for market effects. Market effects such as free-ridership
15 and spillover are recognized in the industry as important research data points for
16 deciding whether to modify or continue DSM programs. However, at the same
17 time, there is significant debate in the energy efficiency community regarding the
18 proper uses of market effect estimates. While market effects are useful for
19 system planning purposes and for future program design, the Company believes
20 that for energy savings targets and Additional Sum, the verified gross energy
21 savings is a better indicator of program success.

22

23 The Additional Sum included in the DSM tariffs will initially be based on avoided
24 costs, projected program costs and participation levels approved in the 2013 IRP,
25 and will subsequently be trued-up based on actual participation levels. The
26 regulatory treatment for the Additional Sum amounts collected would be handled
27 in the same manner as the Additional Sum amounts collected since the
28 Company's 2010 DSM application. The specific Additional Sum request is set
29 forth in Appendix F to the Application.

1 **Q. WHY IS IT NOT APPROPRIATE TO ADJUST THE ENERGY SAVINGS**
2 **FOR MARKET EFFECTS?**

3 A. There are a number of reasons why no adjustment should be made for market
4 effects. First, market effects are constantly changing and thus should not be
5 utilized as the basis for a static adjustment to the Additional Sum. While the
6 Company employs industry-standard methods to quantify market effects, the
7 estimate generated only provides information regarding the particular point in
8 time that the surveys are conducted. The Company's most recent analysis of
9 market effects was conducted when the programs were newly introduced into the
10 market. During the initial period of a program's introduction, free ridership tends
11 to be elevated as those individuals that are already engaging in the measures take
12 advantage of available incentives. However, free ridership will typically decrease
13 after that initial period of program introduction. Therefore, a market analysis
14 conducted at a later date would reflect a different mix of customers participating
15 in the program. Utilizing a market effects analysis conducted in an early period
16 of program implementation arbitrarily selects a particular result that is likely not
17 reflective of the mix of customers at a later point in time, and then utilizes such
18 mix on a prospective basis to establish the Additional Sum. Such an arbitrarily
19 selected snapshot should not serve as the basis for the calculation of Additional
20 Sum.

21
22 Second, the Company has no control over free riders and does not have the ability
23 to limit programs in such a way as to limit free riders. Thus, it is not appropriate
24 to hold the Company accountable for such market effects. The factors over which
25 the Company does have control—program implementation, budgets, etc.—all
26 directly influence gross energy savings, and thus gross energy savings is the more
27 appropriate basis for calculation of the Additional Sum.

28
29 Third, the Company's DSM programs are intended to bring about market
30 transformation and market transformation will, over the long run, result in

1 increasing levels of free ridership. As such, it runs contrary to the stated goals of
2 the Company's programs to hold the Company accountable for free riders.

3

4 **Q. HOW WOULD DSM PROGRAM COSTS AS WELL AS THE PROPOSED**
5 **ADDITIONAL SUM BE COLLECTED?**

6 A. Georgia Power proposes that collection of the costs of approved and certified
7 DSM programs and activities, as well as the Additional Sum amount for certified
8 DSM programs, be accomplished through the existing Residential DSM and
9 Commercial DSM tariffs. These tariffs would be filed as part of the Company's
10 2013 base rate case and would be implemented with any approved change of rates
11 on January 1, 2014.

12

13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 A. Yes.