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September 12, 2014



Ms. Carlotta Stauffer, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RE: Docket No. 140002-EG

Dear Ms. Stauffer:

Attached for electronic filing in the above-referenced docket is the prepared rebuttal testimony of Jennifer L. Todd. Pursuant to the Order Establishing Procedure for this docket, a copy of this testimony prepared using Microsoft Word is being provided to Commission staff and all parties.

Sincerely,

A handwritten signature in black ink that reads "Robert L. McGee, Jr." The signature is written in a cursive, flowing style.

Robert L. McGee, Jr.
Regulatory and Pricing Manager

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Attachments

cc: Florida Public Service Commission
Lee Eng Tan, Sr Attorney, Office of the General Counsel (5 copies)
Beggs and Lane
Jeffrey A. Stone, Esq.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**ENERGY CONSERVATION COST RECOVERY
CLAUSE**

Docket No. 140002-EG

**PREPARED REBUTTAL TESTIMONY
OF
JENNIFER L. TODD**

FILED SEPTEMBER 12, 2014



1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Prepared Rebuttal Testimony of
4 Jennifer L. Todd
5 Docket No. 140002-EG
6 Energy Conservation Cost Recovery Clause
7 September 12, 2014

8 Q. Will you please state your name, business address, employer and
9 position?

10 A. My name is Jennifer L. Todd, and my business address is One Energy
11 Place, Pensacola, Florida 32520. I am employed by Gulf Power Company
12 (Gulf Power, Gulf or the Company) as the Market Analytics Supervisor.

13 Q. Have you previously filed testimony in this proceeding?

14 A. Yes. I filed direct testimony in this proceeding on August 27, 2014.

15 Q. What is the purpose of your rebuttal testimony?

16 A. My testimony addresses proposals made by intervenor Witnesses Steve
17 W. Chriss and Kenneth E. Baker on behalf of Wal-Mart Stores East, LP
18 and Sam's East, Inc. and Witness Jeffry Pollock on behalf of The Florida
19 Industrial Power Users Group (the "Intervenor Witnesses").

20
21 Q. What is your general understanding of the proposals being made by the
22 Intervenor Witnesses?

23 A. In general terms, the Intervenor Witnesses propose that the Florida Public
24 Service Commission (Commission) allow some commercial and industrial
25 customers to opt-out of participating in utility-sponsored energy efficiency

1 programs and avoid paying Energy Conservation Cost Recovery (ECCR)
2 charges associated with such programs.

3

4 Q. Do the Intervenor Witnesses contend that qualifying commercial and
5 industrial customers should be exempted from paying all ECCR charges?

6 A. No. While they label them differently, the Intervenor Witnesses all
7 propose separating expenses associated with Demand-Side Management
8 (DSM) programs into two categories: demand response related program
9 expenses and energy efficiency related program expenses. They contend
10 that demand response programs are designed to reduce peak demand
11 and, as such, are beneficial for all customers. For this reason, the
12 Intervenor Witnesses propose that expenses associated with demand
13 response programs should continue to be funded by all customers through
14 the ECCR clause. In contrast, the Intervenor Witnesses take the position
15 that energy efficiency programs do not have the same benefit for all
16 customers because the primary objective of these programs is to reduce
17 overall energy consumption. For this reason, they propose that qualifying
18 commercial and industrial customers should be permitted to opt out of
19 participating in, and thus paying for, energy efficiency programs.

20

21 Q. Do you have any general observations about the distinction the Intervenor
22 Witnesses attempt to draw between demand response program expenses
23 and energy efficiency program expenses?

24 A. Yes. I believe they have drawn an inaccurate distinction. Virtually all of
25 Gulf's DSM programs have both energy and demand savings associated

1 with the measures. The Intervenor Witnesses correctly recognize the
2 benefits of implementing demand response programs but fail to recognize
3 that cost-effective (i.e., RIM-passing) energy efficiency programs also
4 provide benefits that exceed costs to participating and non-participating
5 customers alike.

6

7 Q. Should the opt-out methodology proposed by the intervenors be approved
8 by the Commission?

9 A. No.

10

11 Q. Why should the Commission reject the opt-out proposals made by the
12 Intervenor Witnesses?

13 A. There are at least three reasons why the Commission should reject the
14 proposals made by the Intervenor Witnesses. First, cost-effective DSM
15 programs (again, those that are RIM-passing) benefit all customers;
16 therefore, all customers should share in the costs of such programs.
17 Second, administering an opt-out provision as described by the Intervenor
18 Witnesses would be burdensome and would create additional costs and
19 complexities. Third, allowing customers to opt out of participation in Gulf's
20 DSM programs will impact Gulf's ability to achieve DSM goals established
21 by this Commission.

22

23 Q. Please elaborate on what you mean when you say that cost-effective DSM
24 programs benefit all customers.

25 A. Gulf agrees with Witness Pollock's observation that subsidization between

1 customers or groups of customers is generally unfair and should be
2 avoided or minimized where possible. Charges rendered through the
3 ECCR clause are no exception. Witness Pollock, along with the other
4 intervenor witnesses, argues that an opt-out for a sub-set of customers is
5 the appropriate method for ensuring fairness. Gulf submits that
6 establishing appropriate DSM goals, on which ECCR charges are based,
7 is a more appropriate method because it addresses this fairness issue for
8 *all* customers. That is precisely why Gulf has proposed DSM goals in the
9 ongoing DSM Goals Docket (Docket No. 130202-EG) which are based
10 upon the Rate Impact Measure (RIM) cost-effectiveness test. If this
11 Commission approves Gulf's RIM-based goal proposal, there is no need
12 for the Commission to consider any form of opt-out proposal.

13

14 Q. How does RIM-based DSM benefit all customers and render consideration
15 of an opt-out provision unnecessary?

16 A. Costs associated with offering DSM programs are borne by all of Gulf's
17 customers, participants and non-participants alike. Customers
18 participating in cost-effective DSM programs deliver energy and demand
19 savings benefits in the form of avoided cost savings. When these energy
20 and demand saving benefits are greater than the program costs, all
21 customers benefit from lower utility costs. Lower utility costs, in turn,
22 result in downward rate pressure over time. The RIM test is often referred
23 to as the "no losers" test because it accounts for impacts on both
24 participating and non-participating customers. Cost-effective DSM goals
25 and associated programs obviate the need for a complex and

1 administratively burdensome opt-out provision that benefits a sub-set of
2 Gulf's customers. The customers represented by the Intervenor
3 Witnesses, as well as all other customers, enjoy the benefits of downward
4 rate pressure and should, therefore, share in the associated costs. The
5 Commission recognized this shared cost/benefit relationship in Order No.
6 9974 dated April 24, 1981, wherein the Commission considered a similar
7 opt-out proposal put forth by the Florida Industrial Power Users Group.
8 The Commission rejected the proposal noting as follows: "Because all
9 customers will enjoy the benefits of such cost avoidancy we direct that the
10 authorized costs be recovered from all customers..." Order at p. 162.

11

12 Q. You mentioned earlier than an opt-out provision would be complex and
13 costly. Please explain.

14 A. While the specific mechanics of implementing the opt-out provision
15 suggested by the Intervenor Witnesses differ, one thing is certain—
16 administering any opt-out provision will be both complex and costly. The
17 Intervenor Witnesses suggest that an opt-out provision be offered to
18 qualifying customers on a customer-by-customer basis. This approach
19 would add a significant number of required activities to the ECCR true-up,
20 audit and projection filing processes and would also introduce a new set of
21 enrollment and billing processes. Additionally, as discussed later in my
22 testimony, capturing energy and demand savings associated with
23 customer-specific projects would also impact the entire Florida Energy
24 Efficiency Conservation Act (FEECA) process from goal setting to annual
25 reporting. All of these new tasks and processes will add administrative

1 burdens and costs to multiple processes performed by Gulf across
2 multiple proceedings. New processes that are necessary or increase
3 value are not bad in and of themselves; however, as discussed previously,
4 with RIM-passing goals and programs, these added complexities are
5 simply unwarranted.

6

7 Q. Ms. Todd, you stated that an opt-out provision for non-residential
8 customers would impact Gulf's ability to meet DSM goals. Would you
9 please first describe the process for setting DSM goals in Florida?

10 A. The process, as outlined in the FEECA statute, for developing DSM goals
11 in Florida occurs every five years. It is a very rigorous and methodical
12 process. It begins with assessing the full technical potential of energy
13 efficiency in the utility's service area. Technical potential is determined by
14 identifying technically feasible energy efficiency measures for residential,
15 commercial and industrial customer classes. Economic feasibility is then
16 determined by applying Commission-approved cost-effectiveness tests to
17 each measure in the technical potential. Measures that are not cost-
18 effective are screened out. Finally, customer adoption is projected in
19 order to determine the amount of DSM that is reasonably achievable for
20 Gulf. The Commission ultimately establishes goals for Gulf and the other
21 FEECA utilities based on the outputs of this process. A DSM Plan
22 containing programs designed to meet the established goals is
23 subsequently developed and approved. The costs associated with the
24 programs in Gulf's DSM Plan are recovered in the ECCR charges.

25

1 Q. Are specific customers' energy efficiency plans taken into account when
2 developing goals?

3 A. No. It would not be feasible to do so.
4

5 Q. How would an opt-out provision for non-residential customers impact
6 Gulf's ability to meet its DSM goals?

7 A. As I mentioned, DSM goals are set every five years based on projections
8 of full achievable potential, including achievable potential for commercial
9 and industrial measures. This process could not feasibly predict which
10 customers may, during that five year period, choose to opt-out of
11 participating in Gulf's DSM programs. In the absence of any feasible way
12 to reduce achievable potential for prospective opt-outs, goals would
13 presumably be set based on the full achievable potential of DSM in Gulf's
14 service area. While goals would be based on projections of full achievable
15 potential, Gulf's ability to achieve those goals would be reduced by the
16 aggregate of all customers who choose to opt-out.
17

18 Q. Witness Pollock suggests that energy savings of an opt-out customer
19 could be counted by Gulf toward its goal achievement. Does this alleviate
20 your concern?

21 A. No. While it may seem that this is a solution, this suggestion actually
22 introduces a new set of challenges.
23
24
25

1 Q. Can you please elaborate?

2 A. Yes. The energy and demand savings reported by Gulf are associated
3 with programs and measures approved by the Commission. Each
4 measure is assigned a deemed savings value on a per participant basis.
5 These savings are determined through a variety of means including
6 program experience, third party subject matter experts and measurement
7 and verification and are calculated based on program participation.

8

9 Managing reported savings from a plethora of opt-out customers would
10 introduce another layer of complexity to this process. In addition to Gulf
11 first obtaining savings information from each customer (which could be a
12 difficult process alone), once obtained, the information would then have to
13 be verified to ensure it is measurable, consistent with other opt-out
14 customers, non-duplicative, etc. Furthermore, Gulf's ability to meet a
15 portion of its DSM goal would be dependent on opt-out customers from
16 which savings may or may not materialize. The integrity of the FEECA
17 reporting process would be jeopardized given the multitude of sources
18 from which data would be obtained.

19

20 Q. What is the appropriate ECCR rate design in light of the Intervenor
21 Witnesses' proposals?

22 A. As noted previously, Gulf does not believe that an opt-out provision is
23 necessary or appropriate and therefore does not believe any changes to
24 Gulf's proposed ECCR factors are warranted.

25

1 Q. Can you summarize your rebuttal testimony?

2 A. Yes. My testimony outlines the issues associated with an opt-out
3 provision as recommended by the Intervenor Witnesses in this docket. An
4 opt-out provision is complex, costly and would impact Gulf's ability to meet
5 Commission-established DSM goals. Most importantly, this additional
6 complexity is not necessary if this Commission approves cost-effective
7 RIM-based DSM goals.

8

9 Q. Ms. Todd, does this conclude your testimony?

10 A. Yes, it does.

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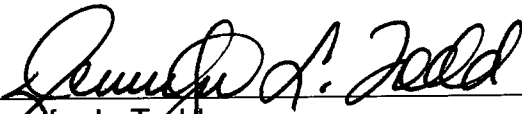
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AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 140002-EG

Before me, the undersigned authority, personally appeared Jennifer L. Todd, who being first duly sworn, deposes and says that she is the Market Analytics Supervisor of Gulf Power Company, a Florida corporation, that the foregoing is true and correct to the best of her knowledge and belief. She is personally known to me.



Jennifer L. Todd
Market Analytics Supervisor

Sworn to and subscribed before me this 11th day of September, 2014.



Notary Public, State of Florida at Large



BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Energy Conservation Cost Recovery Clause)

Docket No.: 140002-EG

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by electronic mail this 12th day of September, 2014 to the following:

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