

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition to terminate) DOCKET NO. 970174-EG
gas engine-driven DX air) ORDER NO. PSC-97-0607-FOF-EG
conditioning research project by) ISSUED: May 28, 1997
Florida Power & Light Company.)
_____)

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
SUSAN F. CLARK
J. TERRY DEASON
JOE GARCIA
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING TERMINATION OF GAS ENGINE-DRIVEN DIRECT EXPANSION
AIR CONDITIONING RESEARCH PROJECT

BY THE COMMISSION:

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

In Order No. PSC-94-1313-FOF-EG, Docket Nos. 930548-EG, 930549-EG, 930550-EG and 930551-EG, issued October 25, 1994, we set numeric demand-side management (DSM) goals for the four largest investor-owned electric utilities (IOUs), including Florida Power & Light Company (FPL). In setting goals, we found that the IOUs did not possess the detailed information needed to set specific goals relating to natural gas substitution for electricity. Therefore, we ordered the IOUs to develop Florida-specific data on the performance and cost-effectiveness of gas technologies.

Concurrent with this action, and pursuant to Rule 25-17.0021(4), Florida Administrative Code, the IOUs filed DSM Plans containing programs designed to meet their DSM goals. We approved FPL's DSM Plan as a Proposed Agency Action, Order No. PSC-95-0691-FOF-EG, Docket No. 941170-EG, issued June 9, 1995. Peoples Gas System, Inc. (Peoples) protested the order, requesting a formal hearing. To aid in its collection of Florida-specific data, FPL developed a Natural Gas End-Use Technology Research and Development Plan (Gas R&D Plan), which we approved by Order No. PSC-95-1146-FOF-EG, Docket No. 950492-EG, issued September 15, 1995. One of the five technologies included in FPL's Gas R&D Plan was the Gas Engine-Driven Direct Expansion Air Conditioning (Gas DX AC) Research Project. This is a commercial / industrial project intended to determine the actual operating characteristics and

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cost-effectiveness of natural gas-engine driven direct expansion air conditioning equipment in Florida-specific applications. The project was expected to last approximately 36 months, with expenditures ranging from \$268,000 to \$323,000. FPL and Peoples subsequently entered into a stipulation which was approved, Order No. PSC-95-1343-S-EG, Docket No. 941170-EG, issued November 1, 1995. This stipulation resolved Peoples' protests to FPL's DSM Plan and eliminated the need for a formal hearing.

After its Gas R&D Plan was approved, FPL petitioned the for approval to add the Gas Business Customer Incentive (Gas BCI) Research Project to its Gas R&D Plan. This petition was granted in Order No. PSC-96-0410-FOF-EG, Docket No. 960041-EG, issued March 22, 1996. In the Gas BCI Research Project, FPL researches customer-specific gas technologies which are not actively pursued in any of FPL's other Gas R&D programs.

The purpose of FPL's petition in this docket is to terminate the Gas DX AC Research Project. FPL and Peoples found limited opportunities for cost-effective development of this technology, and the termination of this specific DSM program will allow FPL to continue evaluating cost-effective applications of the Gas DX AC technology with heat recovery under its existing Gas BCI Research Project.

Instead of a separate research project, the Gas DX AC technology should be eligible for evaluation in FPL's Gas Business Customer Incentive (Gas BCI) Research Project. Pursuant to the stipulation between FPL and Peoples, the two parties met to discuss potential sites for FPL's Gas DX AC Research Project. Peoples questioned whether this technology was feasible in Florida, given that Gas DX AC was in use at only one site in Peoples' service territory. Based on this observation, FPL and Peoples performed a joint study to determine the feasibility of Gas DX AC applications in Florida, using performance data provided by equipment manufacturers and agreed upon by FPL and Peoples. The primary purpose for our approval of gas research projects was to foster agreement between the electric and gas utilities on performance and economic data.

The joint feasibility study concluded the following:

[U]nless a customer has a specific interest in gas DX or unusual circumstances that greatly offset the higher installation costs for the gas equipment, a customer will typically not choose gas DX for straight cooling applications.

The joint study concluded that Gas DX AC technology might be cost-effective in certain applications where the customer could utilize the waste heat recovery option. The economics of this arrangement vary widely, and thus customer-specific analysis would be necessary to determine feasibility.

Based on the results of the joint study, FPL and Peoples concluded that the best approach for Gas DX AC would be to discontinue active field monitoring and evaluation of the technology. However, FPL and Peoples wished to continue gathering useful data on potential applications of Gas DX AC with heat recovery technology.

The Gas BCI Research Project is an existing Commission-approved program which allows FPL to research gas technologies in customer-specific applications. Only gas technologies not actively being pursued by FPL in other programs are eligible for inclusion in the Gas BCI Research Project. Thus, Gas DX AC with heat recovery technology would become eligible for research under the Gas BCI Research Project. FPL and Peoples believe that this treatment will allow the two parties to gather useful, Florida-specific data on the type of customer applications that are more likely seen with this technology. In addition, treating Gas DX AC with heat recovery in this manner would ensure the monitoring of installations that are cost-effective under the Rate Impact Measure (RIM) and Participant tests, as this is a requirement of the Gas BCI Research Project.

FPL states that terminating the Gas DX AC Research Project will save its customers \$236,250. These savings are due to FPL not having to perform the following activities:

Site Selection & Incentives	\$ 20,000
Equipment	\$ 57,500
Installation & Labor	\$ 18,750
Monitoring & Measurement	\$ 110,000
Cost-Effectiveness Analysis	\$ 25,000
Draft and Submit Final Report	\$ 5,000
TOTAL	\$ 236,250

While these costs cannot be attributed to the Gas DX AC Research Project after its termination, continued research of this technology will result in comparable activities and costs to be borne under the Gas BCI Research Project. Therefore, we believe

that terminating the Gas DX AC Research Project will shift costs rather than save them. It should also be noted that the Gas BCI Research Project does not have a spending cap, and, due to the diverse nature of the research involved, future costs are difficult to estimate. However, costs should be minimized since each installation under the Gas BCI Research Project must be cost-effective under the RIM and Participant tests. Furthermore, FPL is required to file an annual report which updates the Commission staff on the research results obtained from all technologies evaluated in the Gas BCI Research Project.

In light of all these facts, we grant approval of FPL's petition to terminate its Gas Engine-Driven DX Air Conditioning Research Project. We further order that FPL be allowed to continue cost-effective research of Gas DX AC with heat recovery technology in its Gas BCI Research Project.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power and Light Company's petition to terminate its Gas Engine-Driven DX Air Conditioning Research Project is granted. It is further

ORDERED that Florida Power and Light Company will be allowed to continue cost-effective research of Gas Direct Expansion Air Conditioning with heat recovery technology in its Gas Business Customer Incentive Project. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that in the event this Order becomes final, this Docket shall be closed.

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By ORDER of the Florida Public Service Commission, this 28th
day of May, 1997.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

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

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on June 18, 1997.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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

If this order becomes final and effective on the date described above, any party substantially affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.