

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of
BuildSmart Program by Florida
Power & Light Company.

DOCKET NO. 951536-EG
ORDER NO. PSC-97-1017-S-EG
ISSUED: August 25, 1997

The following Commissioners participated in the disposition of this matter:

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

ORDER APPROVING STIPULATION

BY THE COMMISSION:

CASE BACKGROUND

In March 1993, we approved the New Home Construction Research Project (Project) as part of Florida Power and Light Company's (FPL) Conservation Plan. A significant part of the Project was the creation and offering of a BuildSmart pilot program. FPL completed its Project and filed a final report with us on June 1, 1995. FPL reported that BuildSmart had preliminarily proven to be cost-effective.

On December 7, 1995, FPL filed a Petition seeking approval of a permanent system-wide BuildSmart Program (Program). FPL proposed to inspect qualifying newly-constructed, single-family, detached homes to verify installations of conservation measures, then rate the new homes for energy efficiency. FPL awards Bronze, Silver or Gold Certificates to qualifying homes that exceed Florida's Energy Efficiency Code requirements by more than 10, 20 or 30 percent, respectively. To qualify for BuildSmart certification, each new home must have a whole-house electric air-conditioning unit. There are no restrictions placed on gas appliances for participating in the BuildSmart Program.

DOCUMENT NUMBER-DATE
08560 AUG 25 97
FFSC-RECORDS/REPORTING

A recommendation for denial of the initial Petition was filed because the BuildSmart Program was not cost-effective when analyzed using FPL's then-current planning assumptions. Prior to the recommendation being considered at Agenda Conference, FPL filed a Motion for Leave to Amend the original Petition. The Motion was granted pursuant to Order No. PSC-96-1145-PCO-EG, September 11, 1996.

FPL filed its First Amended BuildSmart Petition on July 17, 1996. The First Amended Petition shifted some of the BuildSmart Program costs and lowered administrative costs in order to make the Program more cost-effective. We considered the First Amended Petition at the regularly scheduled Agenda Conference on January 7, 1997, and denied BuildSmart Program approval in Order No. PSC-97-0092-FOF-EG. On February 14, 1997, FPL petitioned for a hearing on the First Amended Petition, protesting our denial in the Proposed Agency Action Order.

During the pendency of the formal proceedings, FPL filed a motion for leave to Further Amend Petition, which was granted pursuant to Order No. PSC-97-0556-PCO-EG. The Second Amended Petition, filed April 11, 1997, does not shift BuildSmart Program costs as proposed in the First Amended Petition and is based on current planning assumptions, unlike the original Petition.

On July 25 and 26, 1997, Lee County, an Intervenor in this Docket, and FPL met to address the BuildSmart issues. The meetings were fruitful and on July 29, 1997, FPL and Lee County filed a joint Stipulation in this Docket based upon the information contained in the Second Amended Petition. In other words, the Second Amended Petition was treated as an initial settlement offer by FPL.

DECISION

The Stipulation (Attachment A) including energy conservation cost recovery (ECCR) proposed by Florida Power & Light Company and Lee County is hereby approved. The Stipulation resolves the cost-effectiveness issues in this docket and provides the following:

1. FPL will not shift \$116.00 of cost from the BuildSmart Program to its Residential Conservation Service program.

2. FPL is to recover approximately \$211.00 of the program cost of \$511.00 per participant through the ECCR clause. The remaining \$300.00 of program cost per participant is to be paid by the builders.
3. FPL is to update its cost-effectiveness analysis by using planning assumptions out of its most recent planning process.
4. FPL will conduct end-use metering and billing analyses to compare KW and KWH consumption between BuildSmart and non-BuildSmart homes.
5. Within 24 months of the roll-out of the BuildSmart Program, FPL will assess the cost-effectiveness of the Program, prepare and file a report on that assessment with the Commission.
6. If FPL determines as a result of its assessment, that the BuildSmart Program is not cost-effective under the RIM and Participant tests, FPL will petition the Florida Public Service Commission to either terminate or modify the Program.
7. If FPL fails within twenty-four months after the Program roll-out to either (a) submit the BuildSmart cost-effectiveness assessment report, or (b) file a petition to terminate or modify the BuildSmart Program, cost-recovery will be reduced for the BuildSmart Program to a level such that the RIM ratio equals 1.0. This cost-recovery reduction is to begin twenty-five months after the Program roll-out and continue until such time that FPL has filed the BuildSmart cost-effectiveness report.
8. Any petition filed by FPL to terminate or modify the BuildSmart Program should be processed as expeditiously as practicable. A November 3, 1999, hearing date has been set aside for a potential hearing. This allows a maximum of thirty months from the date of the Program roll-out for a decision on the petition to terminate or modify the BuildSmart Program.
9. The Program roll-out date from which the thirty-month time period will commence to run is thirty days from the date of Commission staff approval of the Program participation standards.

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10. The Stipulation shall not preclude FPL from petitioning for termination or modification the BuildSmart Program for any reason earlier than twenty-four months after the Program roll-out.
11. The Stipulation shall be subject to our jurisdiction and we shall be the sole body for resolution of any disputes arising out of the discharge of this Agreement.

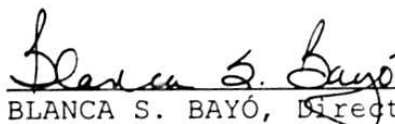
It is anticipated that the end-use measurements will yield verifiable savings. The Stipulation appears to be a reasonable resolution to the matters at issue.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Stipulation between Florida Power & Light and Lee County resolving issues related to the BuildSmart Program as discussed within the body of this Order, is approved.

ORDERED that this docket shall be closed.

By ORDER of the Florida Public Service Commission this 25th day of August, 1997.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

LJP

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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.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/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 after the issuance 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.

Program in light of the evaluation results, (c) prepare and file with the Commission a report of the evaluation of BuildSmart™ monitoring and cost-effectiveness, and (d) if FPL determines as a result of its evaluations that the BuildSmart™ Program is not cost-effective under the Rate Impact Measure and Participants tests, petition the Commission either to terminate or modify the program. FPL will also address the impact of scroll air-conditioning compressors on the savings assumed for the BuildSmart™ Program.

3. In the event that FPL determines as a result of its evaluation of the BuildSmart™ Program contemplated in paragraph 2 that the BuildSmart™ Program is not cost-effective under the Rate Impact Measure and Participants tests and cannot or should not be modified, FPL will petition to terminate the program. In the event that FPL determines as a result of its evaluation of the BuildSmart™ Program contemplated in paragraph 2 that the BuildSmart™ Program is not cost-effective under the Rate Impact Measure and Participants tests but can and should be modified to make the program cost-effective under the Rate Impact Measure and Participants tests, FPL will petition to modify the program.

4. To address the possibility that FPL fails within twenty-four months after program roll out to either (a) submit the report to the Commission described in paragraph 2 regarding the evaluation of BuildSmart™ Program monitoring and continued cost-effectiveness of the BuildSmart™ Program, or (b) file a petition to terminate or modify the BuildSmart™ Program in the event that FPL determines that the BuildSmart™ Program is no longer cost-effective under the RIM and/or Participants tests, the order approving this stipulation will suspend cost-recovery for the BuildSmart™ Program expenditures beyond the level which would result in a RIM ratio

of 10, beginning at the twenty-fifth month after program roll out until such time that FPL has filed the report, and, if called for by the results, filed its petition for termination or modification

5. FPL and Lee County further agree that any petition filed by FPL as a result of the evaluation contemplated in paragraph 2 to terminate or modify the BuildSmart™ Program should be processed as expeditiously as practicable, and the parties ask the Commission in entering the order approving the stipulation to set aside a hearing date for a potential hearing on such a petition which would afford a Commission decision on such a petition within thirty months from the date of program roll out.

6. FPL and Lee County agree that program roll out will not be immediate from the moment this stipulation is approved nor from the date the order is issued approving this stipulation and program. The parties recognize that program participation standards will need to be filed with the Commission Staff and approved before FPL may begin offering the program. Therefore, they ask the Commission in entering the order approving this stipulation that the Commission specify that the date for program roll out occur thirty days from approval of the program participation standards.

7. This stipulation shall become null and void to the extent it is not approved by the Florida Public Service Commission.

8. This stipulation may not be modified except by the written mutual consent of Lee County and FPL. However, FPL and Lee County recognize the Commission's continuing jurisdiction regarding FPL's DSM activities and that the Commission may suggest changes on its own initiative. This stipulation does not preclude and shall not be construed as precluding FPL from

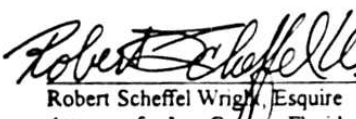
petitioning the Commission to terminate or modify the BuildSmart™ Program for any reason sooner than twenty-four months after program roll out.


9. This stipulation shall be subject to the jurisdiction of the Florida Public Service Commission, and the Commission shall be the sole body for the resolution of any disputes arising out of the discharge of this agreement

DATED: July 29, 1997

LEE COUNTY

FLORIDA POWER & LIGHT COMPANY


Robert Scheffel Wright, Esquire
Attorney for Lee County, Florida


Charles A. Guyton
Attorney for Florida Power & Light Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Stipulation of Lee County and Florida Power & Light Company in Docket No. 951536-EG was hand delivered (*) or mailed this 29 th day of July, 1997 to the following

Leslie Paugh, Esquire*
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Gunter Building, Room 370
Tallahassee, Florida 32399-0850

Paul E. Nordstrom, Esquire
Verner, Liipfert, Bernhard,
McPherson & Hand, Chartered
901 - 15th Street, N.W.
Washington, D.C. 20005-2301

James G. Yaeger, Esquire
Lee County Attorney
David M. Owen, Esquire
Assistant County Attorney
Post Office Box 398
Fort Myers, Florida 33902-0398

Robert Scheffel Wright, Esquire
Landers and Parsons
310 West College Avenue
Tallahassee, Florida 32301



Charles A. Guyton

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ATTACHMENT A

**ATTACHMENT A
DESCRIPTION OF BUILDSMART™ PROGRAM**

RESIDENTIAL NEW CONSTRUCTION PROGRAM
BuildSmart™

I. Program Description

The BuildSmart™ Program objective is to encourage the design and construction of energy-efficient homes that cost-effectively reduce FPL's coincident peak load and customer energy consumption.

The BuildSmart™ Program will utilize an FPL approved energy rating tool to qualify each home for participation. The program standard will utilize a performance based energy standard rather than a prescriptive based standard. Therefore, the BuildSmart™ Program will accept any efficiency technique or combination of efficiency improvements that are recognized by the energy rating tool.

The current recognized rating tool is Florida's Building Energy Code or the Energy Performance Index (EPI) rating. As rating tools and methodologies are developed or modified, FPL will review and consider them as a potential program rating standard.

The BuildSmart™ Program includes an educational effort that will promote the benefits of building homes energy efficiently and support the residential new construction market in their efforts as well. FPL, through its BuildSmart™ Program, will consult with builders, developers and customers on which efficiency combinations would be most cost-effective. FPL, through its BuildSmart™ Program, will perform plan reviews and home inspections throughout the construction process and provide certification of homes once successfully meeting program standards.

Participation is encouraged by educating customers on the benefits and advantages of building homes that are more energy efficient. These benefits/advantages include

- 1) installation cost savings (installation cost as compared to retrofit options),
- 2) improved cash flow (no capital investment required, upgrades amortized through mortgage),
- 3) immediate energy and cost savings,
- 4) increased comfort levels with improved design and equipment performance, and
- 5) quality control advantages with FPL's inspection/certification process.

FPL plans to make residential customers aware of this program through participating builders, community developments, other trade allies, appropriate advertising and promotional activities.

II. Description of Program Administration

The BuildSmart™ Program is available to all residential customers that construct a home in FPL's service territory. The new home must have whole-house electric air-conditioning to qualify. Each participating builder must enter into a BuildSmart™ Program Contract or Agreement with FPL. To be eligible for BuildSmart™ certification, builders must comply with all national, state and local codes and ordinances.

FPL reserves the right to perform a series of inspections on each BuildSmart™ home to verify that energy-efficiency upgrades are incorporated as submitted. FPL will be the final judge of whether requirements of the BuildSmart™ Program are met. FPL will provide final certification of the energy-efficiency rating for each home.

FPL will offer three different service offerings as part of its BuildSmart™ Program. Two service offerings for certification will be available to participating builders. The Basic Service Offering will include an initial inspection and a final inspection. The Premium Service Offering will include the same features as well as a midpoint inspection and site signs. For qualifying homes, in both service

offerings, the builder or new home owner will be awarded appropriate BuildSmart™ Certification. Although the per unit savings achieved from both level of services should be the same, there appears to be a significant number of builders who value the midpoint inspection and are willing to pay the additional amount for this inspection. The third service offering will be for builders which opt not to participate in certification but choose to purchase EPI analyses performed by FPL as part of FPL's ongoing efforts to recruit participating builders. Builders must pay FPL a fee dependent on which of the three service offerings they select.

BuildSmart™ Program Standards will be subject to periodic review by FPL and may change over time based on factors such as, but not limited to, technological advances, operational needs, program results, application assumptions, state energy code revisions or rating tool improvements.

III. Projected Participation and Savings

The projected participation in this program as well as the projected demand and energy savings for installations are shown in Attachment A. The participation levels, energy consumption and demand projections are based on results from the New Home Construction Research Project. The participation levels and the total demand and energy savings have been adjusted downward to reflect a reduction in administrative costs and the shift of inspection costs to builders.

IV. Cost-Effectiveness Analysis

FPL has used the Commission approved cost-effectiveness methodologies required by Rule 25-17.008 to determine the cost-effectiveness of this program. The BuildSmart™ Program is one of FPL's R&D efforts that has proven to be cost-effective. The analysis shows the following benefit-cost ratios: 1.32 Participants, 1.20 RIM, and 1.76 TRC for the BuildSmart™ Program.

V. Program Evaluation and Monitoring

The feasibility and cost-effectiveness of a residential new construction program was studied in detail during the New Home Construction Research Project, which FPL filed a final report on June 1, 1995. Included in this final report were results from an extensive end-use monitoring and engineering evaluation effort coupled with a detailed pilot program market analysis. The results from these research efforts were used to develop and design the BuildSmart™ program including the forecasted participation levels along with the demand and energy impacts as utilized in this filing.

FPL anticipates that the demand and energy impact evaluation efforts will be valid until there are significant changes in the construction market practices or viable new technology applications emerge that were not accounted for in the original evaluations. Program participation and efficiency upgrades will be tracked in a BuildSmart™ database in which actual results will be compared to those forecasted. FPL will monitor the program's actual results on a continual basis and re-evaluate the research participation levels along with the energy and demand impact data as necessary over time. Program administrative costs will be tracked in FPL budget systems.

ATTACHMENT B

BuildSmart™ Program Proposed Evaluation Plan Summary

This preliminary demand-side management (DSM) program evaluation plan describes FPL's proposed monitoring and evaluation approach for the BuildSmart Program. The plan will be reviewed in 1998 after significant participation in the BuildSmart program has occurred. The approach builds upon the extensive research activities already completed by FPL in the development of this program and upon the recent availability of participant data from the transition of the pilot program to a system-wide program.

Impact Evaluation

Intensive research was conducted on residential new construction (RNC) in the FPL service territory from the Spring of 1993 to the Summer of 1995. The cornerstone of the research conducted was a carefully studied sample of over 400 new single-family detached (SFD) homes in the Central and South DCA climate zones, these homes were end-use metered, inspected and thoroughly analyzed in conjunction with other research data, yielding calibrated end-use models that were used to predict energy use in new SFD homes both for baseline and anticipated BuildSmart homes. This research effort provided the basis for BuildSmart Program impacts (for both pilot program participants and homes built under the full-scale program). Research results are based upon the development of a very robust calibrated statistical engineering model and upon thorough analysis of new construction in the FPL service territory.

In the future, FPL will use end use metering to monitor the load of a number of homes which participate in the actual BuildSmart Program. This information will be used to help test, calibrate, and update the existing residential new construction engineering model.

As adequate billing history for BuildSmart homes becomes available, FPL will conduct a statistical billing analysis to compare the energy use of participant and nonparticipant homes. To perform these billing analyses FPL will collect detailed customer-specific data on appliance holdings and other customer characteristics. This entails collecting extensive on-site and/or telephone data collection to accurately model the differences in consumption between participants and nonparticipants.

Market Evaluation

The current impact estimates were influenced by market forces observed during both the implementation of the BuildSmart pilot program and the 1993-1995 new construction research. Since BuildSmart was designed to allow all builder selected measures that lead to a reduction in

the Energy Performance Index (EPI), FPL must understand the market forces behind builder choices. These market forces will be studied using data collected from all program participants. Additional data will be collected from large canvass surveys of program participants and nonparticipants.

Process Evaluation:

The research conducted in 1993-1995 was based upon a prospective BuildSmart program. For this reason, process-related analyses using surveys conducted with home builders will be performed. Occupant surveys will be implemented to measure program awareness factors and customer satisfaction.

Builder compliance with the BuildSmart standards and the effectiveness of BuildSmart inspections will be investigated. Building envelope features, duct tightness, and mechanical system requirements will be verified using on-site inspections from a representative sample of new BuildSmart homes. A thorough process evaluation is key to optimal implementation of the BuildSmart program.

FPL will be exploring any opportunities to further enhance the value of the BuildSmart program for both FPL and our customers.

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ATTACHMENT A

STEEL ■
HECTOR
■ DAVIS

Steel Hector & Davis, Inc.
215 South Monroe, Suite 601
Tallahassee, Florida 32301-1804
904.222.2300
904.222.8410 Fax

July 29, 1997

Charles A. Goyton
904.222.3423

Mr. Lee Colson, Engineer
Division of Electric & Gas
Florida Public Service Commission
2540 Shumard Oak Boulevard
Gunter Building, Room 200
Tallahassee, Florida 32399-0850

Via Facsimile

Re: BuildSmart™ Stipulation

Dear Mr. Colson:

In regard to your inquiry regarding the stipulation filed this morning, FPL and Lee County agree that an additional page of the program description containing program savings and participants should have been included and was not. We will supplement that filing to correct that omission. In the meantime, a copy of that page is enclosed.

In addition, you asked as to the costs for the program which were understood by the parties to the stipulation. Both Lee County and FPL understood that the program costs per participant for the BuildSmart™ Program referred to in the stipulation were the costs set forth in FPL's Second Amended Petition. Those costs are in the last column of the table on page 6 of FPL's Second Amended Petition. For ease of reference, they are set forth below:

Costs	Per Stipulation
Initial Inspection	\$ 300 - Builders
Final Inspection	\$ 116 - BSMT*
Administrative	\$ 95 - BSMT*
Total	\$ 511

* BSMT - BuildSmart

Miami
305.577.7000
305.577.7001 Fax

West Palm Beach
561.650.7200
561.650.1509 Fax

Orlando
407.290.7272
407.290.7271 Fax

Cal. J. P.
562.911.4108
562.911.4106 Fax

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STEEL ■
HECTOR
■ DAVIS

Mr. Lee Colson
July 29, 1997
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Simply stated, under the BuildSmart™ Program builders would be charged up to \$300, depending on the level of service they select, and program costs per participant not covered by builders would be, on average, \$ 211

Please call if this does not address your questions or if you need additional information

Very truly yours,


Charles A. Guyton

enc

cc Scheff Wright
TAL/21276-1

Attachment A
Program Name : BuildSmart™

Projected Participation Levels and Projected Demand and Energy Savings

At the Meter

Year	Annual Number of Program Participants	Per Customer kwh Reduction	Per Customer Winter kw Reduction	Per Customer Summer kw Reduction	Total Annual kwh Reduction	Total Annual Winter kw Reduction	Total Annual Summer kw Reduction
1997	487	1,407	0.72	0.74	685,209	351	360
1998	2,669	1,407	0.72	0.74	3,755,283	1,922	1,975
1999	3,280	1,407	0.72	0.74	4,614,960	2,362	2,427
2000	4,026	1,407	0.72	0.74	5,664,582	2,899	2,979

At the Generator

Year	Annual Number of Program Participants	Per Customer kwh Reduction	Per Customer Winter kw Reduction	Per Customer Summer kw Reduction	Total Annual kwh Reduction	Total Annual Winter kw Reduction	Total Annual Summer kw Reduction
1997	487	1,509	0.92	0.94	734,883	448	458
1998	2,669	1,509	0.92	0.94	4,027,521	2,455	2,509
1999	3,280	1,509	0.92	0.94	4,949,520	3,018	3,083
2000	4,026	1,509	0.92	0.94	6,075,234	3,704	3,784