

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Florida Power & Light Company for modification of Residential Air Conditioning Program.

DOCKET NO. 970539-EG
ORDER NO. PSC-97-1479-FOF-EG
ISSUED: November 24, 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

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING MODIFICATION OF RESIDENTIAL
AIR CONDITIONING PROGRAM

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 November 1995, this Commission approved Florida Power & Light Company's (FPL) Residential Air Conditioning program as part of FPL's demand side management (DSM) plan in Order Numbers PSC-95-1343-S-EG and PSC-95-1343A-S-EG. The program is designed, through the use of incentives, to reduce FPL's summer and winter coincident peak demand and energy attributable to central and room heating, ventilating, and air conditioning equipment. All residential customers installing room air conditioners are eligible to receive incentives. However, those residential customers installing central units must make an installation at a residence occupied for at least one year to be eligible.

In response to interrogatories from our staff in Docket No. 960002-EG, FPL evaluated each of its approved DSM programs using

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its most recent planning assumptions. The results showed that several of FPL's DSM programs, including its Residential Air Conditioning program (RIM = 0.81), failed the Rate Impact Measure (RIM) test. FPL stated that the requested analyses were not sufficient to assess whether the programs should continue to be offered. FPL agreed at that time to reevaluate each of the failing programs to determine whether potential program modifications may restore cost-effectiveness.

On May 6, 1997, FPL filed a petition seeking our approval of modifications to its Residential Air Conditioning Program. FPL's proposed modifications consist of including ground source heat pumps as a potential measure, excluding commercial and industrial customers with room air conditioners, and revising the program's incentive structure. FPL currently projects that these revisions will result in reducing an average participant's peak demand and energy consumption by 0.386 kW summer demand, 0.039 kW winter demand, and 744 annual kWh, respectively. This level of demand and energy savings results in a 1.02 RIM and 2.03 Participants cost-effectiveness ratio.

FPL's Residential Air Conditioning Program began in January 1995. Since inception FPL has tracked the progress of this program, reporting the results in its 1996 Demand Side Management Annual Report. When compared to the 1996 report findings, FPL has projected that its program modifications will result in an average participant's summer demand savings at the meter increasing from 0.29 to 0.386 kW. Similarly, winter demand savings are projected to increase from 0.01 kW to 0.039 kW. However, the program modifications are expected to decrease energy savings from 1,292 kWh to 744 kWh. Nonetheless, the current estimated impacts exceed those used as the basis for the program's original approval: 0.26 kW summer, 0.0004 kW winter, and 664 kWh annual energy reduction. Current projections are substantiated by various surveys as well as results from end-use monitoring.

The increase in projected demand savings is attributable to a projected increase in installments of higher Seasonal Energy Efficiency Rating units as well as the exclusion of commercial and industrial customers' room air conditioners as eligible equipment under the program. These additional demand savings serve to increase the overall cost-effectiveness of the program through the avoidance of capacity expenditures. However, with the in-service date of the avoided unit advancing to the year 2001, the opportunity for program participation has decreased. In addition,

the decline in avoided cost also works against the program's cost-effectiveness.

The incentives to be paid under FPL's program have been revised from a previous availability of \$336 to \$384 per kW to a range not to exceed \$182 to \$303 per kW of summer demand reduction. This reduction in overall cost is coupled with an increased weighting toward the higher efficiency measures. Each factor is designed to promote the cost-effectiveness of the program.

FPL indicated that each of its major DSM programs will have an updated evaluation performed every year through 1999. FPL has further indicated that specific programs will be the target of focused attention with an expanded data collection effort. The expanded data collection will include end-use metering, site surveys, participant surveys, and trade ally surveys. During 1997-1998, FPL's Residential Air Conditioning program will be the subject of such an expanded focus. During this time, FPL's current DSM Evaluation Plan indicates that it will make use of end-use metering from 90 sites with central units and 50 sites with room air conditioning during 1997, and from 90 sites with central units in 1998 to verify the impact of its Residential Air Conditioning program to reducing peak load. FPL shall be required to report the results of its planned evaluation efforts to our staff.

FPL's modifications to its Residential Air Conditioning Program are projected to result in a 1.02 RIM cost-effectiveness ratio. Given this marginal level of cost-effectiveness, the program may be susceptible to becoming not cost-effective if avoided costs drop slightly or assumed demand and energy savings are less than projected. Because of the risk to FPL's ratepayers of a marginally cost-effective program, FPL should reassess the cost-effectiveness of the program and file the resulting cost-effectiveness ratios with its November 1998 true-up filing in Docket No. 980002-EG. The reassessment should include the most current assumptions at the time the analysis is performed.

A reduction in avoided cost appears to be the primary reason for the decline in cost-effectiveness of FPL's programs. As modified, the Residential Air Conditioning program meets Commission requirements for cost-effectiveness. However, because the program is only marginally cost-effective, FPL should monitor and evaluate the program as planned to insure continued cost-effectiveness.

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Finally, FPL should file program standards that clearly state its requirements for participation in the program, customer eligibility requirements, details on how rebates or incentives will be processed, technical specifications on equipment eligibility, and necessary reporting requirements. These program participation standards may be administratively approved by our staff if they conform to the description of the program contained in FPL's petition.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power & Light Company's proposed modifications to its Residential Air Conditioning Program, as described in the body of this Order, are approved. It is further

ORDERED that Florida Power & Light Company shall reassess the cost-effectiveness of its Residential Air Conditioning Program, as modified by this Order, and shall report, in its November 1998 true-up filing in Docket No. 980002-EG, the resulting cost-effectiveness ratios using the most current assumptions at the time the analysis is performed. It is further

ORDERED that Florida Power & Light Company shall report the results of its planned annual evaluations of the Residential Air Conditioning Program to this Commission's staff. It is further

ORDERED that Florida Power & Light Company shall file program participation standards for its Residential Air Conditioning Program within 30 days of the issuance of this Order; these program participation standards may be administratively approved. 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 24th
day of November, 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.

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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 December 15, 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.

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.