

MEMORANDUM

NOVEMBER 24, 1997

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FPSC -

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF LEGAL SERVICES (KEATING) *WCK RVE*

RE: DOCKET NO. 970541-EG - PETITION BY FLORIDA POWER & LIGHT  
COMPANY FOR MODIFICATION OF RESIDENTIAL BUILDING ENVELOPE  
PROGRAM

1481-FOF-EG

Attached is a NOTICE OF PROPOSED AGENCY ACTION ORDER APPROVING  
MODIFICATION OF RESIDENTIAL BUILDING ENVELOPE PROGRAM to be issued  
in the above referenced docket. (Number of pages in Order - 6)

WCK/js  
Attachment  
cc: Division of Electric and Gas (Dudley)  
I:970541or.wck

*faxed - 2/0  
received -*

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 970541-EG  
ORDER NO. PSC-97-1481-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  
BUILDING ENVELOPE 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 Building Envelope 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 to encourage qualified customers, through the use of incentives, to install energy efficient building envelope measures that will cost-effectively reduce FPL's coincident peak air conditioning load and customer energy consumption. The program applies to all existing residential customers served by FPL who have whole-house air conditioning.

In response to interrogatories from our staff in Docket No. 960002-EG, FPL evaluated each of its approved DSM programs using its most recent planning assumptions. The results showed that

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several of FPL's DSM programs, including its Residential Building Envelope program (RIM = 0.90), 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 could restore cost-effectiveness.

On May 6, 1997, FPL filed a petition seeking our approval of modifications to its Residential Building Envelope Program. These modifications consist of excluding attic/ceiling/roof insulation between R19 and R30, window film, shade screens and high performance windows as eligible measures and revising the program's incentive structure. FPL projects that these revisions will result in reducing an average participant's peak demand and energy consumption by 0.266 kW summer demand, 0.520 kW winter demand, and 537 annual kWh, respectively. This level of demand and energy savings results in a 1.02 RIM and 2.65 and Participants cost-effectiveness ratio.

FPL's Residential Building Envelope Program began in January 1995. Since the program's inception, FPL has tracked its progress, 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 0.24 to 0.266 kW. Similarly, winter demand savings are projected to increase from 0.23 kW to 0.520 kW. However, the program modifications are expected to decrease energy savings from 662 kWh to 537 kWh. Nonetheless, the current estimated impacts exceed those used as the basis for the program's original approval: 0.19 kW summer, 0.14 kW winter, and 465 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 appears to be attributable to the revision of eligible equipment under the program to eliminate the less-efficient measures listed above. 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 \$346 to \$348 per kW to a level not to exceed \$614 per kW of summer demand reduction. This increase is directly due to the elimination of less cost-effective measures.

FPL indicated that each of its major DSM programs will have an updated evaluation performed every year through 1999. Additionally, FPL's current DSM Evaluation Plan indicates that FPL will make use of various surveys over the next two years to verify the impact of its Residential Building Envelope program on 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 Building Envelope 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 if 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 Building Envelope program meets Commission requirements for cost-effectiveness. However, because the program is only marginally cost-effective, FPL should be required to monitor and evaluate the program as planned to insure continued cost-effectiveness.

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.

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Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power & Light Company's proposed modifications to its Residential Building Envelope 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 Building Envelope 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 Building Envelope Program to this Commission's staff. It is further

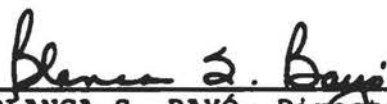
ORDERED that Florida Power & Light Company shall file program participation standards for its Residential Building Envelope Program within 30 days of the issuance of this Order; these program participation standards may be administratively approved. It is further

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.

  
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BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )

WCK

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 December 15, 1997.

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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.