

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition to modify
Heating and Cooling Program by
Tampa Electric Company.

DOCKET NO. 980724-EG
ORDER NO. PSC-98-1203-FOF-EG
ISSUED: September 9, 1998

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING MODIFICATION TO HEATING AND COOLING 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 Administration Code.

By Order No. PSC-95-1346-S-EG, issued November 1, 1995, in Docket No. 941173-EG, we approved Tampa Electric Company's (TECO) Heating and Cooling Program as part of TECO's demand side management (DSM) plan. The Heating and Cooling Program provides incentives for residential customers to replace air conditioning systems that utilize strip heaters with higher efficiency heat pumps. The goal of the program is the reduction of peak demand and energy.

TECO reviews each program in its DSM plan annually for cost effectiveness. IN TECO's latest analysis, the Heating and Cooling Program was found to be no longer cost-effective. Accordingly, on June 9, 1998, TECO filed a petition to modify the Heating and Cooling Program in order to make the program cost-effective. TECO requests that we approve the proposed program revisions, including

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recovery of reasonable and prudent program expenditures through the Energy Conservation Cost Recovery clause.

TECO's residential Heating and Cooling Program provides dealer incentives and customer rebates for replacing an existing air conditioning system which uses strip heating with a heat pump. The current program has two levels of heat pump efficiencies that qualify for a customer rebate. Level 1 has a threshold for qualification of 11.0 Seasonal Energy Efficiency Rating (SEER). Level 2 has a threshold for qualification of 13.0 SEER. Customers receive a rebate of \$350 under Level 1 of the program. A higher incentive of \$750 is paid under Level 2 of the program to encourage customers to install higher efficiency heat pumps. Dealers receive an incentive of \$75 per unit installed.

According to TECO's most recent analysis, the program in its current form is not cost-effective, due primarily to a reduction in TECO's avoided cost. Given current incentive levels, both Level 1 and Level 2 of the program fail the Rate Impact Measure Test (RIM), with values of .99 and .86, respectively.

In order to make the program cost-effective, TECO has proposed a one-level, minimum threshold for qualification of a heat pump with a SEER value of 12.0. Customers would receive a rebate of \$250 for purchasing a qualifying heat pump. TECO estimates that the rebate will cover approximately one-third of the incremental cost for customers to purchase a 12.0 SEER heat pump rather than a system with strip heat. No change is proposed for the dealer incentive for the program.

TECO has determined that the cost-effectiveness ratios for the revised Heating and Cooling Program are as follows:

Rate Impact Measure Test: 1.30
Participant Cost Test: 2.54
Total Resource Cost Test: 1.16

A RIM value of 1.30 indicates that the modified program is significantly cost-effective. This value implies that there is room for error in the avoided cost and peak demand savings assumptions used to determine cost-effectiveness. This increases the assurance that the program will provide benefits to the general body of ratepayers.

The program also appears to be directly monitorable. As part of its DSM Plan, TECO modeled the expected demand and energy savings of the Heating and Cooling Program. TECO has confirmed the results of the model through field sampling of 100 residential households with strip heat and 100 households with heat pumps.

We find that the proposed modifications to TECO's Heating and Cooling Program should be approved. The modified Heating and Cooling Program is cost-effective and appears to be directly monitorable. Further, we find that reasonable and prudent expenditures for the program, as modified, should be approved for cost recovery, and the resulting demand and energy savings should continue to count towards TECO's DSM goals.

TECO shall file program participation standards within 30 days of the issuance of this Order. These program standards should clearly state the 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. If these program standards conform to the description of the program contained in TECO's DSM plan, the Commission staff shall administratively approve them.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Tampa Electric Company's petition to modify its Heating and Cooling Program is granted. It is further

ORDERED that Tampa Electric Company may recover reasonable and prudent expenditures for its Heating and Cooling Program, as modified herein, through the Energy Conservation Cost Recovery Clause. It is further

ORDERED that demand and energy savings resulting from Tampa Electric Company's Heating and Cooling Program, as modified herein, shall continue to count towards Tampa Electric Company's demand-side management goals. It is further

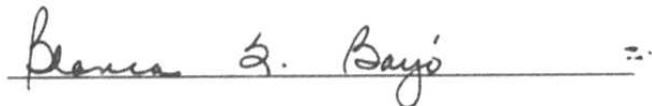
ORDERED that Tampa Electric Company shall file program participation standards for its Heating and Cooling Program, as modified herein, within 30 days of the issuance date of this Order. It is further

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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 28-106.201, 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.

By ORDER of the Florida Public Service Commission this 9th day of September, 1998.



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.

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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. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, 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 September 30, 1998.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date.

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.