

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for approval of numeric conservation goals by Orlando Utilities Commission. | DOCKET NO. 040035-EG
| ORDER NO. PSC-04-0767-PAA-EG
| ISSUED: August 9, 2004

The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman
J. TERRY DEASON
LILA A. JABER
RUDOLPH "RUDY" BRADLEY
CHARLES M. DAVIDSON

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING NUMERIC CONSERVATION GOALS FOR ORLANDO UTILITIES
COMMISSION AND ACKNOWLEDGING ORLANDO UTILITIES COMMISSION'S
DEMAND-SIDE MANAGEMENT PLAN

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.

Case Background

Section 366.82, Florida Statutes, part of the Florida Energy Efficiency and Conservation Act (FEECA), requires us to adopt goals to increase the efficiency of energy consumption, increase the development of cogeneration, and reduce and control the growth rates of electric consumption and weather-sensitive peak demand. Pursuant to Section 366.82(2), Florida Statutes, we must review a utility's conservation goals not less than every five years. These statutes are implemented by Rules 25-17.001 and 25-17.0021, Florida Administrative Code.

We first established numeric goals for Orlando Utilities Commission (OUC) in Order No. PSC-95-0461-FOF-EG, issued April 10, 1995, in Docket No. 930558-EG, In Re: Adoption of Numeric Conservation Goals and Consideration of National Energy Policy Act Standards (Section 111) by Orlando Utilities Commission. These goals were based on measures that were cost-effective under the participant and rate impact measure (RIM) tests.

We set numeric goals for OUC a second time in Order No. PSC-00-0587-FOF-EG, issued March 23, 2000, in Docket No. 990722-EG, In Re: Adoption of Numeric Conservation

DOCUMENT NUMBER-DATE
08616 AUG-9 8
FPSC-COMMISSION CLERK

Goals and Consideration of National Energy Act Standards (Section 111) by Orlando Utilities Commission. OUC's numeric goals were set at zero because none of the measures evaluated by OUC passed both the participant and RIM tests.

The instant docket, opened on January 13, 2004, represents the third time that we will set numeric conservation goals for OUC. On May 28, 2004, OUC timely filed its proposed numeric goals. OUC also filed testimony and exhibits in support of the proposed goals.

Rule 25-17.0021(4), Florida Administrative Code, requires that within 90 days of a final order establishing goals, a utility shall submit a demand-side management (DSM) plan which contains conservation and DSM programs designed to meet its numeric goals. As part of its numeric goals filing, OUC submitted a DSM Plan which contains OUC's existing conservation programs. As we stated in Order No. PSC-00-0588-FOF-EG, Rule 25-17.0021(4), Florida Administrative Code, which requires a utility to file a DSM Plan, does not apply if the approved goals are set at zero.

This Order addresses OUC's petition for approval of its numeric conservation goals and approval of its DSM Plan. We have jurisdiction over this matter pursuant to Sections 366.81 and 366.82, Florida Statutes.

Numeric Conservation Goals

OUC states that, according to its analysis, no DSM programs were found to be cost-effective for the utility. Therefore, OUC has proposed that its DSM goals be set at zero for 2005 through 2014.

OUC used a three-step process to develop its proposed numeric DSM goals. OUC first determined the DSM measures which would be evaluated for cost-effectiveness. OUC selected approximately 200 DSM measures for evaluation from several sources, including: 1) the measures suggested by the Commission in Docket Nos. 971004 through 971007; 2) existing OUC conservation measures; and, 3) Commission filings from other Florida utilities. OUC then determined its avoided costs by selecting the next planned capacity addition from its 2004 Ten-Year Site Plan, a combustion turbine with an expected 2008 in-service date. Finally, OUC evaluated each of the selected DSM measures for cost-effectiveness using the Commission-approved Florida Integrated Resource Evaluator (FIRE) model. The FIRE model considers the costs of the identified avoided unit versus DSM program costs. The FIRE model results in three benefit to cost ratios: the Rate Impact Test (RIM), the Total Resource Cost Test, and the Participant Test.

OUC evaluated each DSM program for cost-effectiveness using the RIM test. None of the approximately 200 programs tested passed RIM with a value greater than 1.0. Therefore, none of the programs tested were found to be cost-effective.

We have reviewed the programs, assumptions, and evaluation methodology used by OUC and find them to be reasonable. The DSM measures evaluated are based on an adequate assessment of the market segments and major end-use categories in accordance with Rule 25-17.0021(3), Florida Administrative Code. In addition, as required by the rule, OUC's analysis adequately reflects consideration of overlapping measures, rebound effects, free riders, interactions with building codes and appliance efficiency standards, and OUC's latest monitoring and evaluation of conservation programs and measures. OUC's chosen avoided unit and the associated assumptions reflect the information provided in OUC's latest Ten-Year Site Plan and thus are reasonable. OUC appropriately used the RIM test to determine the cost-effective level of achievable DSM goals, and found that none of the tested measures were cost-effective.

Because no DSM measures were found to be cost-effective, we find that it is not appropriate to establish positive conservation goals for OUC. Therefore, we approve OUC's proposed annual residential winter and summer kW and annual residential kWh conservation goals of zero for the period 2005 through 2014. We also approve OUC's proposed annual commercial/industrial winter and summer kW and annual commercial/industrial kWh conservation goals of zero for the period 2005 through 2014.

Demand-Side Management Plan

Rule 25-17.0021(4), Florida Administrative Code, requires that each FEECA utility, within 90 days of the issuance of our order approving conservation goals, submit for our approval a DSM Plan designed to meet its approved numeric conservation goals. However, as stated above, we have set OUC's numeric conservation goals at zero for 2005 through 2014. As a result, Rule 25-17.0021(4), Florida Administrative Code, which requires utilities to file a DSM Plan, does not apply in this instance. Nevertheless, OUC filed a DSM Plan in which OUC proposes to continue its existing DSM programs, which are summarized below:

Residential Programs:

1. *Energy Survey Program*: provides walk-through, video and compact disk, and on-line energy surveys for all residential customers.
2. *Energy Efficiency Rebate Program*: provides incentives to customers to implement building envelope efficiency improvements as recommended in an energy audit.
3. *Low-Income Home Energy Fix-Up Program*: offers 85 percent of the cost of specified home weatherization measures recommended in an energy audit to residential customers with total annual income less than \$25,000.
4. *Insulation Billed Solution Program*: Provides \$100 incentive and two-year financing for R-19 level attic insulation installation.

5. *Efficient Electric Heat Pump Program*: Provides incentives for customers to replace inefficient existing HVAC systems with energy efficient heat pumps.
6. *Gold Ring Program*: New construction efficiency program which provides a free Energy Star Rating and blower door test to new homes which meet specified efficiency standards.
7. *Energy Conservation Rate*: In October 2002, OUC implemented a two-tier residential rate to encourage energy conservation. Customers using more than 1,000 kWh per month pay a higher rate for that energy which is above 1,000 kWh.

Commercial Programs:

1. *Energy Survey Program*: Walk-through energy audit which provides detailed written recommendations to increase energy and water usage efficiency.
2. *Indoor Lighting Retrofit Program*: Provides discounted installation and special financing for replacement of inefficient lighting with more efficient lighting technologies.
3. *OUConsumption Online Program*: Provides the ability for customers to analyze energy usage and demand for multiple locations from a desktop computer. Customers benefit by the increased ability to manage their electric load. Participating customers are responsible for the costs of the additional infrastructure and must pay a \$35 monthly fee.
4. *OUConvenient Lighting Program*: Provides complete efficient outdoor lighting services for commercial applications including industrial parks, sports complexes, and residential developments. Participants are responsible for the costs of each fixture.
5. *OUCooling*: Under this program, OUC will fund, install, and maintain a central chiller plant for each participating business district. This reduces air conditioning, capital, and operating costs for participating businesses.

We find that it is reasonable to allow OUC to determine whether or not such programs should be continued because OUC is in the best position to determine its customers' needs. Further, OUC does not recover the costs of such programs through the Energy Conservation Cost Recovery Clause. According to Order No. PSC-00-0587-FOF-EG, Rule 25-17.0021(4), Florida Administrative Code, which would have required OUC to file a DSM Plan, does not apply in this instance because the goals are set at zero. Therefore, we find that OUC's DSM Plan shall be acknowledged for informational purposes only. We further find that OUC is not required to file program standards. Program standards establish customer eligibility for DSM programs and provide procedures for payment of incentives. These standards provide documentation for us for future audits. Because such audits are not necessary for municipal utilities, OUC is not required to file program standards.

ORDER NO. PSC-04-0767-PAA-EG
DOCKET NO. 040035-EG
PAGE 5

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Orlando Utilities Commission's proposed annual numeric residential winter demand, summer demand, and annual energy conservation goals shall be set at zero for the period 2005 through 2014. It is further

ORDERED that Orlando Utilities Commission's proposed annual numeric commercial/industrial winter demand, summer demand, and annual energy conservation goals shall be set at zero for the period 2005 through 2014. It is further

ORDERED that Orlando Utilities Commission's demand-side management plan is hereby acknowledged for informational purposes only. Orlando Utilities Commission is not required to file program participation standards. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that this docket shall be closed.

By ORDER of the Florida Public Service Commission this 9th day of August, 2004.

BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

By: *Marcia Sharma*
Marcia Sharma, Assistant Director
Division of the Commission Clerk
and Administrative Services

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ORDER NO. PSC-04-0767-PAA-EG
DOCKET NO. 040035-EG
PAGE 6

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 that is available under Section 120.57, 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 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. 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 the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 30, 2004.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

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