

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Investigation into) DOCKET NO. 930759-EG
appropriate method for) ORDER NO. PSC-93-1845-FOF-EG
allocation and recovery of costs) ISSUED: December 29, 1993
associated with conservation)
programs)
_____)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
SUSAN F. CLARK
JULIA L. JOHNSON
LUIS J. LAUREDO

ORDER APPROVING CONSERVATION COST ALLOCATION AND
RECOVERY METHODOLOGIES FOR INVESTOR OWNED ELECTRIC UTILITIES

BY THE COMMISSION:

CASE BACKGROUND

In 1981, when the Conservation Cost Recovery (ECCR) clause was established, the Commission made two decisions regarding the allocation of conservation costs. The first was the determination that the costs associated with conservation benefits should be spread among all customers. The Commission rejected the notion that only the participants in conservation programs benefit from those programs. The second decision was to allocate costs to the rate classes on a per kilowatt hour, or energy, basis. See Order No. 9974, issued in Docket No. 810050-EU.

This methodology was in effect for all investor-owned electric utilities until 1988, when Tampa Electric Company (TECO) petitioned to exclude its interruptible customers from paying demand-related conservation costs. These customers were subsequently required to pay only the conservation costs equal to the estimated fuel benefits they receive from conservation.

As a result of a Commission-approved rate stipulation (Order No. PSC-92-1197-FOF-EI) in its 1992 rate case, Florida Power Corporation (FPC) and the parties agreed that the costs of dispatchable conservation programs, including an appropriate portion of common administrative costs would be allocated to the rate classes using the 12 Coincident Peak and 1/13 Average Demand (12 CP and 1/13) methodology. The remainder of the ECCR costs were to continue to be allocated on an energy basis. The stipulation

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also stated that FPC's curtailable and interruptible rates would become conservation programs, with the credits paid to participants recovered through the ECCR clause.

In its filing of projected conservation costs for the August 1993 ECCR hearing, Florida Power and Light Company (FPL) petitioned to allocate conservation costs for all of its programs using the 12 CP and 1/13th method. In addition, FPL asked to recover costs from demand-billed customers on a demand basis. The decision on FPL's proposed methodology, as well as a review of the treatment for TECO's interruptible customers was deferred to this generic investigation by Order No. PSC-93-1333-FOF-EG. All investor-owned utilities were given an opportunity to propose changes to their current methodology for allocating and recovering conservation costs at a formal hearing held on October 11, 1993.

At that hearing, FPL proposed the same methodology that it proposed in its petition for the August 1993 ECCR hearing. FPC proposed to continue the methodology in its rate case stipulation, with minor modifications. Gulf Power Company (Gulf) proposed a two-part methodology under which the costs for conservation programs would be assigned directly to the participants whenever possible, and when not feasible, they would be assigned only to the class of customers eligible to participate in the programs. TECO and Florida Public Utilities Company (FPUC) asked to continue to allocate and recover conservation costs on an energy basis. Our decisions for each utility are discussed separately in this Order.

The Legal Environmental Assistance Foundation (LEAF) and the Florida Industrial Power Users Group (FIPUG) intervened in this proceeding. LEAF filed 52 Proposed Findings of Fact. In accord with Section 120.57(1), Florida Statutes, our rulings on these proposed findings are included as Appendix I to this Order.

Uniform Methodology for Allocating/Recovering Conservation Costs

We find that a uniform methodology for allocating and/or recovering conservation costs for all investor-owned utilities should be and is hereby approved. However, exceptions will be allowed to the extent reasonable, appropriate and necessary.

We recognize that there are significant differences among companies that necessitate some deviation from a single methodology. However, as a base line, we adopt the 12 Coincident Peak and 1/13 average demand allocation methodology for allocating costs associated with dispatchable programs, and continue to require investor-owned utilities to allocate the costs of all other

programs on an energy basis. Energy conservation costs shall continue to be recovered on an energy basis.

This Commission has traditionally given the investor-owned utilities considerable latitude to construct conservation program plans that are responsive to their utility-specific system and customer needs. Latitude in designing conservation programs should not be confused with latitude in assigning responsibility for conservation costs.

If a utility wishes to allocate and recover conservation costs using a methodology different from that approved by this Order, it must specifically demonstrate why the different methodology is reasonable.

Florida Power and Light Company

We find that Florida Power and Light Company shall allocate the costs for its dispatchable conservation programs on a 12 coincident peak and 1/13th average demand basis and the costs for its remaining conservation programs on an energy basis. All recovery should be on an energy basis. After we approve FPL's demand-side management (DSM) plan, scheduled to be filed December 1994 in Docket No. 930548-EG, this cost recovery methodology shall be reviewed for continued appropriateness.

Since 1981, when the ECCR clause was first established, all conservation program costs have been allocated to FPL's rate classes on a per kWh, or energy, basis. This method allocates all costs to the classes based on their kWh usage.

FPL has now proposed to allocate all costs using a demand allocation methodology. The method they advocate is the 12 Coincident Peak and 1/13 Average Demand method, which was the method used to allocate non-nuclear production plant costs in FPL's last rate case. This method allocates most costs (12/13ths) to the rate classes based on their contributions to the 12 monthly system peak hours.

Such a change in methodology results in those classes which have relatively low load factors paying more than they would have under an all energy allocation. Low load factor classes are those with low kWh usage relative to their coincident demands. For example, under the currently effective October 1993 through March 1994 recovery period FPL's residential class customers pay .23 cents per kWh, which would be \$2.30 on a typical monthly 1,000 kWh residential bill. Under FPL's proposal, as shown in Hearing

Exhibit No. 1, a residential customer would pay .26 cents per kWh, or \$2.60 on a typical monthly bill, an increase of about 13%.

FPL has asserted that an all demand allocation is appropriate because the primary purpose of FPL's conservation programs is the avoidance or deferral of additional generating plant capacity. Thus, the costs of those programs should be allocated to the rate classes in the manner in which they would have been allocated had the deferred or avoided units had been built and the costs recovered through base rates.

In support of this method, FPL presented an analysis which it contends shows that the demand-related benefits associated with FPL's conservation programs are equal to 111% of the total benefits. FPL suggests that the energy related total benefits are in fact negative, due to the so-called "fuel penalty" which is incurred when a more efficient plant is deferred or avoided as a result of a program.

We agree that an all energy allocation method is no longer appropriate for FPL's conservation costs, and that some demand allocation is appropriate. We also agree that the most appropriate method to use for demand allocation is the 12 CP and 1/13 AD method, as this method was approved in FPL's last cost-of-service study for non-nuclear production plant. It is identical to that approved by the Commission to develop allocators in Capacity Cost Recovery clause. FPL has proposed to update these allocators using the most recently available load research in the same manner as it does in the Capacity Cost Recovery Clause. We believe that this is appropriate.

We believe that a strong case has been made for the allocation of FPL's dispatchable conservation program costs on a demand basis. Dispatchable programs are those programs which the utility, at its discretion, can call upon to reduce load when that capacity is needed for those system. We believe that the costs of dispatchable programs can be described as heavily demand related, as they can be called upon by the utility at times of system peak demand.

FPL's dispatchable programs consist of its Residential and Commercial/Industrial Load Control programs. We believe that it is appropriate to allocate the costs of these programs, as well as a share of their common administrative costs, on a demand basis. In addition, it is appropriate for FPL to allocate the costs of any research projects which are related to dispatchable programs on a demand basis. We do not believe, however, that a sufficient case has been made for a shift to the allocation of all of FPL's ECCR costs on a demand basis at this time.

One concern with FPL's analysis supporting an all-demand allocation is that it relies upon estimates of avoided costs made at the time of program approval, and not upon the actual program results after implementation. There can be wide disparities between expected and actual demand and energy savings.

Another concern with FPL's analysis involves those programs for which no cost effectiveness is required to be demonstrated, namely the audit and research programs. FPL's analysis does not address recovery of the costs of these programs.

Regardless of the actual demand and energy savings from its programs, FPL's current program plan was intentionally designed to primarily avoid capacity costs. This was based on FPL interpreting the primary goal of FEECA to be demand reduction. However, along with all other FEECA utilities, FPL is in the process of revising its conservation program plan to achieve numeric conservation goals which the Commission will approve for FPL in Docket No. 930548-EG. There will be separate numeric goals for both demand savings and energy savings pursuant to the Commission's new rules which clearly recognize savings as priority objectives of FEECA. (Rules 27-17.001(3), (4) and 25-17.0021(1), F.A.C.) Based on this process, it seems unlikely that FPL will continue to have a conservation program plan in which it will be appropriate to completely ignore the contribution of energy savings.

Therefore, we find that FPL shall allocate only the costs of its dispatchable conservation programs using the 12 CP and 1/13 demand allocation method. These programs represent approximately 60% of FPL's ECCR costs for the period October 1993 through March 1994. We find that FPL continue to allocate the costs of its remaining programs on an energy basis.

After FPL's revised DSM plan has been approved by this Commission, the utility's cost recovery methodology shall be reviewed for the most appropriate method to allocate the costs of programs with both demand and energy savings. At that time, FPL will have a Commission-established balance of demand and energy saving programs and newly revised and approved cost-effectiveness analyses.

FPL has proposed to recover the energy conservation costs on a billed kilowatt (demand) basis for demand-metered customer classes and on a kilowatt-hour (energy) basis for the remaining customer classes. The recovery method proposed by FPL, at least for the demand-metered customer classes, is consistent with the allocation method proposed by FPL. FPL asserts that costs which are allocated to the customer classes on a demand basis should also

be recovered from the customers classes on a demand basis, when possible. FIPUG supports FPL's position. Implicit in FPL's argument is the concept of a price signal. FIPUG's Witness Barron states in direct testimony that recovering demand allocated costs on a demand basis, provides customers with the information needed to efficiently assess the costs they impose on the utility. We believe that FPL's proposal, while not without merit, is not appropriate and direct FPL to continue to recover the energy conservation costs on an energy basis from all customer classes.

The method of recovery is an intraclass allocation issue. Recovery on an energy basis tends to recover a higher proportion of the allocated costs from the higher load factor customers within a customer class. Recovery on a demand basis tends to recover a higher proportion of the allocated costs from the lower load factor customers within the same customer class. Generally, the appropriate recovery method is more obvious when costs are allocated on a energy basis than when costs are allocated on a coincident demand basis. Costs which are allocated on energy basis are a function of the kWh's a customer consumes irrespective of the time at which the kWh's are consumed (i.e. off peak or on peak). Clearly costs which are allocated on an energy basis should be recovered on an energy basis.

Costs that are allocated on a coincident demand basis are a function of a customer class's demand at the time of the system peak. However, for billing purposes, an individual customer's maximum demand (billed kw) is determined by the customer's greatest amount of continuous use during any 30 minute time period. The customer's billed kw may or may not occur when the system is at its peak.

In the August 1993 fuel hearing, FPL proposed to recover the costs in the Capacity Payment Recovery clause on a demand basis for demand metered customers. The Commission in Order No. PSC 93-1331-FOF-EI found FPL's proposed method of capacity cost recovery reasonable. Because of the above mentioned mismatch between billing demand and coincident demand, we do not believe it is appropriate to recover additional demand-allocated recovery clause costs on a demand basis.

Given our decision regarding the allocation of ECCR costs, there will be a substantial portion of costs that will be allocated on an energy basis. This offers further support for recovery on an energy basis.

We find that FPL's Commercial/Industrial Load Control customers shall continue to pay their fully allocated cost of

conservation programs, just as those customers in any other rate class.

While FPL has proposed to allocate all ECCR costs on a demand basis, rather than an energy basis as in the past, it has not proposed any changes to the treatment of its Commercial/Industrial Load Control (CILC) customers. This treatment entails allocating to CILC customers their share of conservation costs in the same manner as any other rate class. FIPUG has argued that these customers should be excused from the payment of all demand-related conservation costs.

We believe that FPL's proposal to allocate conservation costs to CILC customers in the same manner as all other classes is appropriate.

FPL's CILC program is a Commission-approved conservation program, under which participants pay a lower rate in return for agreeing to remove their load from the system during peak periods. This discount, which represents the capacity avoidance/deferral benefit, is recovered through the ECCR.

If CILC customers were to be excused from paying their share of conservation costs, they would be receiving benefits in excess of those which they provide the system through their willingness to be interrupted. As FPL's witness Birkett testified, the cost effectiveness test which was filed to obtain Commission approval of the CILC program yielded a benefit to cost ratio of approximately 1:1. Any additional discount given to CILC customers, whether through excusing them from the payment of ECCR charges or any other means, would result in them being overcompensated for their interruptibility.

Florida Power Corporation

We find that Florida Power Corporation shall continue to allocate costs for conservation as stipulated in its last rate case, using the 12 coincident peak and 1/13th average demand method for dispatchable conservation programs, and an energy basis for the remaining programs. All recovery shall continue to be on an energy basis. After we approve FPC's demand-side management (DSM) plan, scheduled to be filed December 1994 in Docket No. 930549-EG, this cost recovery methodology shall be reviewed for continued appropriateness.

FPC has not proposed any changes to the method by which it allocates and recovers its ECCR costs, with the minor exceptions of

the adjustments for line loss and metering voltage discussed on page 13 of this Order. FPC's method was established in the rate design stipulation approved by the Commission in FPC's last full rate case, Docket No. 910890-EI.

In that rate stipulation, it was agreed that all of FPC's conservation costs related to its dispatchable programs, which are comprised of its interruptible, curtailable, and load management programs, would be allocated to the rate classes using the method employed in the Capacity Cost Recovery mechanism. This method allocates costs using the 12 CP and 1/13 demand allocation method, which was the company's approved cost-of-service methodology in its last rate case.

Witness Slusser testified that a demand allocator is appropriate for recovery of dispatchable programs because they are "especially demand related". This is because they can be called upon by the company to meet demand at times of system peak. Witness Slusser also testified that the portion of common administrative costs which could be attributable to dispatchable programs was also allocated on a demand basis, as well as that portion of FPC's research programs which was directed toward dispatchable programs. The remainder of FPC's program costs will continue to be recovered on an energy basis.

We believe that this is a reasonable way to allocate FPC's conservation costs. FPC's method acknowledges that the costs of dispatchable programs are heavily demand related, and allocates them on a demand basis. It also recognizes that there are some energy savings inherent in all other conservation programs, and thus allocates a portion of ECCR costs on an energy basis.

We approve FPC's proposal to continue to recover ECCR costs on an energy basis from all customers. The same rationale discussed for Florida Power and Light Company is applicable to FPC. While not perfect, recovery on an energy basis represents a just, fair and reasonable way to recover these costs.

We find that FPC's Interruptible and Curtailable customers shall continue to pay their fully allocated costs of conservation.

FPC has not proposed any changes to the manner in which it treats its interruptible and curtailable customers. FPC allocates ECCR costs to these classes in the same manner as they do to all customer classes. FIPUG argues that these customers should not be required to pay any demand-related conservation costs.

We believe that FPC's proposal to allocate conservation costs to non-firm customers in the same manner as all other classes is appropriate. These rates are Commission-approved conservation programs. As a result of the rate stipulation approved in FPC's last rate case, these customers were assigned costs in the cost-of-service study based on their use characteristics, without making adjustments to account for their willingness to leave the system at the time of system peaks. They are then paid a credit which represents the value of the coincident peak avoidance which they provide by leaving the system at peak times.

Since this credit represents the value of capacity avoidance provided by non-firm customers, they should not be provided an additional discount by being excused from the payment of ECCR costs.

Tampa Electric Company

We find that Tampa Electric Company shall allocate dispatchable conservation program costs which are recovered through the ECCR clause on the 12 coincident peak and 1/13th average demand basis, and, the costs for its remaining programs on an energy basis. All recovery shall be on an energy basis. After we approve TECO's demand-side management (DSM) plan, scheduled to be filed December 1994 in Docket No. 930551-EG, this cost recovery methodology shall be reviewed for continued appropriateness.

TECO has not proposed any changes to the method which it uses to allocate its conservation costs. It advocates continuing the practice of allocating all conservation costs on an energy basis. With the exception of the treatment of interruptible customers, this is the same method employed by TECO since the inception of the ECCR clause in 1981.

TECO's witness Kordecki testified that, with the exception of the interruptible treatment, no other method would be more appropriate than the one which TECO currently uses, and thus no changes are necessary. He stated that none of the other methods proposed, such as an all demand allocation as proposed by FPL, or some combination of energy and demand allocation as proposed by FPC, would be any better, or worse, than an all-energy allocation.

This was based on the witness's contention that there is a timing mismatch between the way conservation costs are allocated to rate classes and the way the benefits flowing from those programs are realized. He contends that allocation using any of the current or proposed methods is flawed, because the proposed allocation methods, whether demand or energy, are based on embedded costs,

while the benefits of conservation are determined on a marginal basis. The only remedy for this situation which the witness could identify would involve "...radical changes in regulatory philosophy and rate design...", and would involve setting base rates on a marginal, rather than an embedded cost basis.

We believe that this overstates the problems involved in determining an appropriate allocation method. Staff acknowledges that there is a mismatch between costs allocated on an embedded basis and benefits determined on a marginal basis. However, this is a problem that can be said to exist with virtually any type of recovery method.

Virtually all of the witnesses in this proceeding have testified that, to the extent possible, the allocation of ECCR program costs should reflect the manner in which the costs they avoid would have been allocated. We believe FPC's allocation method, which allocates those costs attributable to dispatchable programs on a demand basis, is appropriate.

Therefore, we find that those costs associated with TECO's dispatchable programs shall be allocated using the 12 CP and 1/13 AD method, which was the approved methodology for allocating production plant costs in TECO's last rate case.

In addition, those common administrative costs which are attributable to dispatchable programs, as well as any research program costs which address dispatchable programs shall be allocated on a demand basis. The remainder of TECO's program costs shall continue to be allocated on an energy basis.

We approve TECO's proposal to continue to recover ECCR costs on an energy (kWh) basis. The same rationale discussed for Florida Power and Light Company is applicable to TECO. While not perfect, recovery on an energy basis represents a just, fair and reasonable way to recover these costs.

We find that TECO's current treatment, under which its interruptible customers pay only an amount equal to the estimated fuel savings from conservation is appropriate and shall be continued until reviewed in its next rate case.

TECO has proposed no changes to the treatment of its interruptible customers. Currently, these customers only pay ECCR costs which are equal to the estimated fuel savings benefits which they receive.

We believe this treatment is appropriate. Unlike FPC's interruptible program, and FPL's CILC program, TECO's interruptible rate is not a Commission-approved conservation program. When the rate was established in TECO's last rate case, the loads of the interruptible customers were excluded from the cost-of-service study. Because the rate was developed in this manner, it is not appropriate to charge interruptible customers those conservation costs which serve to reduce peak demand. They are only charged an amount which represents an estimate of the fuel savings benefits which accrue from conservation programs.

Gulf Power Company

We find that Gulf Power Company shall continue to allocate and recover the costs of its conservation programs on an energy basis. After the Commission approves Gulf's demand-side management (DSM) plan, scheduled to be filed December 1994 in Docket No. 930550-EG, this cost recovery methodology shall be reviewed for continued appropriateness.

Gulf Power Company has proposed two separate methodologies for allocating conservation costs, depending on the nature of the conservation program involved. The methodologies do not attempt to assign conservation costs on either a demand or energy basis but rather on a program participation basis.

1. **Participant Assignment method.** Where practical, costs would be directly allocated to the specific program participant and recovered through a line item charge on the participant's bill. To the extent that Gulf is proposing to recover costs for programs through a line item charge on the participant's bill, there are no expenditures to be allocated in ECCR.
2. **Rate Class Assignment method.** Each class's allocation of ECCR costs would include only the costs for conservation programs in which that class is eligible to participate. Recovery would be through a kWh charge. Staff recommends the Commission reject this proposed method as less equitable than the problem it is intended to resolve.

Gulf recognizes that its proposed methodologies differ markedly from those employed or proposed by the other investor-owned utilities. Gulf's reason for proposing these methods is to eliminate cross subsidies of conservation costs. The Rate Class Assignment method is to eliminate **inter** class subsidies and the Participant Assignment method is to eliminate **intra** class subsidies.

The subsidies which Gulf's methods propose to resolve relate only to the direct costs to offer conservation programs, so-called cost incurrence. The other utilities and parties to this docket have proposed methodologies concerned with the indirect costs of fuel savings and deferred plant that conservation is meant to avoid, so-called cost causation.

The Participant Assignment method assigns the cost for a conservation program directly to the participant. Gulf's reason for proposing this method, whenever possible, is to eliminate intra-class subsidy whereby customers who choose not to participate in conservation programs for which they are eligible still have to pay a portion of the costs. Directly assigning the cost for a conservation measure to the participant is, in effect, voluntary conservation. The customer's incentive is the reduction in electric bills. There are precedents for this methodology in other states. Gulf cited Georgia Power's recently-approved Commercial and Industrial DSM programs and PacifiCorp's FinAnswer program.

Gulf currently has only one approved conservation program for which the Participant Assignment method is appropriate, the Express Loan Program. To the extent that Gulf proposes to recover costs for this program through a line item charge on the participant's bill, there are no expenditures to be allocated in ECCR. Should Gulf wish to pursue this, it should petition the Commission to discontinue Gulf Express as a conservation program with cost recovery through ECCR. Instead, requesting approval for a tariff to add a line item charge to the customer's bill would be appropriate. This would also be the case with any other future programs for which Gulf would propose similar cost recovery.

There is one major problem with the Participant Assignment method relevant to these proceedings. There are basic energy services costs, such as audits and information programs, as well as transaction costs for establishing participant program charges, which may be significant enough to lower the value of voluntary conservation if the full costs are passed to the individual participants. When this is the case, Gulf proposes recovering these extra program costs separately through ECCR in the same manner as its other DSM programs costs are recovered.

For extra costs from the Participant Assignment method above and for all other conservation programs, Gulf proposes to assign the costs only to the class of customers eligible to participate. The equity issue intended to be resolved is inter-class subsidy of customers paying for programs in which they do not have an opportunity to participate and to realize direct benefits. In this case, Gulf is not proposing voluntary conservation, as above, but

an imposition of the cost of conservation upon certain classes of customers. A similar interclass cross-subsidy argument was considered and rejected by the Commission when original approval of the ECCR clause was granted in 1981 (Order No. 9974). The Commission decided that "to the extent conservation efforts succeed in obviating the need for expensive new plant, all customers will benefit."

Gulf believes times have changed. With increasing competition, its customers can no longer afford to purchase services for which they receive little or no direct benefits. Gulf recognizes that nonparticipants "may" eventually see benefits associated with either fuel savings or capacity avoidance or deferral. However, Gulf believes these estimates are difficult to precisely forecast as they are based on load forecasts and customer response which can't be known with certainty.

We agree that load forecasts and customer behavior are difficult to predict and can possibly lead to programs being approved which might not be cost-effective for non-participants. But to totally discount any fuel or deferred plant savings are conferred upon non-participating classes by assigning all the costs of conservation to the participating classes is not a more equitable and efficient approach. A more obvious solution would be for Gulf to look for opportunities in its revised DSM plan, which is scheduled to be filed December 1994 in Docket No. 930550-EG, to create a program blend which will enable every customer class to have equal access to conservation opportunities.

Therefore, we reject Gulf's proposed Rate Class Allocation method. Instead, Gulf shall continue to allocate and recover its costs for conservation on an energy basis since Gulf currently has no dispatchable conservation programs. for which allocation on the 12 CP and 1/13 basis would be more appropriate.

We approve Gulf's proposal to continue to recover ECCR costs on an energy (kWh) basis. The same rationale discussed for Florida Power and Light Company is applicable to Gulf. While not perfect, recovery on an energy basis represents a just, fair and reasonable way to recover these costs.

Florida Public Utilities Company

We find that Florida Public Utilities Company shall continue to allocate and recover the costs of its conservation programs on an energy basis. After we approve FPUC's demand-side management (DSM) plan, scheduled to be filed August 1995 in Docket No. 930552-

EG, this cost recovery methodology shall be reviewed for continued appropriateness.

By letter dated September 10, 1993, FPUC requested to be excused from further participation in this investigation and agreed to utilize any methodology the Commission ordered. Prior to that letter, FPUC had prefiled testimony requesting to continue to allocate and recover its conservation costs on an energy basis. We concur that per kilowatt hour conservation cost allocation is the most appropriate methodology for FPUC at this time. The utility has no dispatchable DSM programs for which allocation on the 12 CP and 1/13th AD basis would be more appropriate.

For the first time ever, in 1992 FPUC exceeded 500 Gigawatt-hours of annual retail sales. This is the threshold requirement for a utility to be subject to the provisions of FEECA. However, FPUC has had a voluntary conservation program plan since the inception of FEECA, and has recovered the costs through ECCR in the same manner as the other investor-owned utilities which were subject to FEECA.

As a FEECA utility, FPUC is now required to establish separate numeric demand-saving and energy-saving conservation goals pursuant to the Commission's new conservation rules. The utility is scheduled to file a DSM plan to meet these goals in August of 1995 in Docket No. 930552-EG.

We approve FPUC's proposal to continue to recover ECCR costs on an energy (kWh) basis. The same rationale discussed for Florida Power and Light Company is applicable to FPUC. While not perfect, recovery on an energy basis represents a just, fair and reasonable way to recover these costs.

Adjusting for Line Losses by Class and Metering Voltage in Allocating Energy-Related Conservation Costs

We find that it is appropriate to adjust for line losses by class in allocating energy-related conservation costs. Line losses are incurred throughout the entire electric system in delivering electricity from the generating source to the customer's load. The amount of energy line losses for a particular customer class is, in large part, a function of the different voltage levels at which customers within that class receive service.

Most customers receive service at the lowest voltage level, distribution secondary. There are some customers, however, who desire service at higher voltage levels, such as distribution

primary or transmission voltage level. Delivery at higher voltages does not incur the same proportion of line losses as delivery at lower voltage levels.

Because the amount of line losses may vary by rate class, it is appropriate to recognize such differences when allocating the cost responsibility to the customer classes.

We find that it is appropriate to adjust for metering voltage in allocating conservation costs. A metering voltage adjustment is appropriate for customer classes that have non-fuel energy charges that vary due to differences in metering voltage. The metering voltage adjustment is similar to the line loss adjustment. However, this adjustment is an intra-class adjustment whereas the line loss adjustment is an inter-class adjustment. The metering voltage adjustment recognizes customer specific line loss differences within a customer class that result from the different voltage levels at which customers are metered.

We find that the benefits of conservation which are relevant to the decision on how ECCR costs should be allocated are capacity deferral or avoidance, and fuel savings. These benefits are discussed in the body of this Order.

We find that the Commission is authorized, not required, to consider the criteria set out in Section 366.04(1), Florida Statutes in ratemaking proceedings, along with any other criteria the Commission deems reasonable under particular circumstances. The Commission is only required to consider the enumerated criteria in Section 366.06(1), Florida Statutes, to the extent the Commission deems practicable under particular circumstances.

Section 366.04(1), Florida Statutes, provides, in pertinent part, that;

In fixing the just, reasonable, and compensatory rates, charges, fares, tolls, or rentals to be observed and charged for service within the state by any and all public utilities under its jurisdiction, the commission is authorized to give consideration, among other things, to the efficiency, sufficiency, and adequacy of the facilities provided and the services rendered; the cost of providing such service and the value of such service to the public; the ability of the utility to improve such service and facilities; and energy conservation and the efficient use of alternative energy resources; provided that no public utility shall be denied a reasonable rate

of return upon its rate base in any order entered pursuant to such proceedings. . . .
(emphasis supplied)

Section 366.041(1) gives the Commission considerable authority and discretion to consider a wide range of criteria in fixing fair, just and reasonable utility rates in all of its varied ratemaking proceedings, including this investigation into the proper allocation and recovery of conservation costs. The Commission is not required to consider only those criteria set out in the section; nor is it required to give particular weight to one criterion over another.

Section 366.06(1), Florida Statutes, provides in pertinent part that;

In fixing fair, just, and reasonable rates for each customer class, the commission shall, to the extent practicable, consider the cost of providing service to the class, as well as the rate history, value of service, and experience of the public utility; the consumption and load characteristics of the various classes of customers; and public acceptance of rate structures.
(emphasis supplied)

Section 366.06(1), Florida Statutes, requires that the Commission consider certain enumerated criteria when it fixes fair, just and reasonable rates between customer classes, to the extent that consideration of the criterion is relevant and reasonable under the circumstances of a particular case. The Commission is not precluded from consideration of other criteria as well that may be relevant to a particular proceeding or a particular case; and again, there is no requirement that the Commission give more weight to one criterion over another.

We find that the effective date be of the decisions made in this docket shall be April 1, 1994, the beginning of the next ECCR cost recovery period. All parties who have taken a position on this issue have agreed that April 1, 1994 is the appropriate effective date, with the exception of TECO. Their position on this issue is consistent with their contention that no change to its allocation and recovery of ECCR costs is appropriate unless there is a change to TECO's cost-of-service methodology, which would have to be done in the context of a rate case. We have found that a change outside a rate case is appropriate, and thus April 1, 1994 is the proper effective date for all investor-owned utilities.

In consideration of the foregoing, it is

ORDERED by the Florida Public Service Commission that the findings set forth in the body of this Order are hereby approved. It is further

ORDERED that we adopt the 12 Coincident Peak and 1/13 Average Demand allocation methodology for allocating costs associated with dispatchable programs, and continue to require investor owned utilities to allocate the costs of all other programs on an energy basis as the uniform method for allocating conservation costs. Energy conservation costs shall continue to be recovered on an energy basis. Exceptions will be allowed to the extent reasonable, appropriate and necessary. It is further

ORDERED that the various cost allocation and recovery methodologies approved in the body of this Order for the different investor-owned utilities are hereby approved. It is further


ORDERED that it is appropriate to adjust for line losses by class in allocating energy-related conservation costs. It is further

ORDERED that it is appropriate to adjust for metering voltage in allocating conservation costs. It is further

ORDERED that the Proposed Findings of Fact submitted by the Legal Environmental Assistance Foundation are accepted or rejected as set forth in this Order. It is further

ORDERED that this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 29th day of December, 1993.



STEVE TRIBBLE, 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 120.59(4), 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 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 or sewer 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 Civil Procedure. The notice of appeal must be in the form specified in Rule 9.900 (a), Florida Rules of Appellate Procedure.

APPENDIX I

RULINGS ON LEAF'S PROPOSED FINDINGS OF FACT

In accord with Section 120.57, Florida Statutes, we make the following rulings on LEAF's Proposed Findings of Fact:

FACT 1: The costs of load management or conservation programs that avoided base load plant should not be allocated using the 12 CP and 1/13th AD factor, but instead using a method that more closely reflects the roles of peak demands and energy requirements in system planning. [TR 238, Line 21 to TR 239, Line 1]

RULING: Rejected. This statement is conclusory opinion, not a fact.

FACT 2: Under FPL's proposed ECCR allocation methodology, only the residential class would pay more during the October 1993 to March 1994 period. [TR 28, Line 18 to TR 29, Line 23]

RULING: Accepted.

FACT 3: The benefits of FPL's DSM programs translate to lower bills for all FPL customers. [TR 30, Lines 4-7]

RULING: Rejected. The proposed finding is vague and not supported by the record. Actual bill impacts cannot be known with certainty. FPL's currently approved end-use DSM programs passed the Rate Impact Test which is a determination that rates, not bills, for the participants and non-participants will remain the same or decrease.

FACT 4: Within each of FPL's rate classes, not every customer receives the same benefit. [TR 30, Lines 8-20]

RULING: Rejected. The witness stated he did not know this fact necessarily to be true. Also, the finding is vague.

FACT 5: For ECCR allocation purposes, FPL defines its customers' benefits in terms of the avoided power plant costs and the kilowatt hours not used as result of customers' participation in DSM programs. [TR 30, Line 21 to TR 31, Line 4]

RULING: Rejected. The proposed finding is vague. See Fact No. 6.

FACT 6: FPL determines customer benefits from its DSM programs in terms of the cost-effectiveness calculations included when each DSM program is filed for Commission approval. [TR 31, Lines 5-14]

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RULING: Accepted.

FACT 7: None of FPL's existing approved DSM programs was evaluated against a peaking unit in the cost-effectiveness program approval filing. [TR 32, Lines 6-11]

RULING: Rejected. The proposed finding is not relevant or material to a decision on the issues in this case.

FACT 8: None of FPL's existing approved DSM programs was evaluated against an intermediate unit in the cost-effectiveness program approval filing. [TR 32, Lines 12-16]

RULING: Rejected. The proposed finding is not relevant or material to a decision on the issues in this case.

FACT 9: FPL's analysis of the benefits of its DSM programs (Exhibit 6) was based upon avoided costs derived solely for FPL's cost-effectiveness program approval filing. [TR 33, Line 12 to TR 34, Line 15 and EXHIBITS 5 & 6]

RULING: Accepted.

FACT 10: Exhibit 5 purports to explain how FPL derived the "program benefit data" on page 8 of FPL's response to Staff Interrogatory No. 1. [EXHIBIT 5]

RULING: Accepted.

FACT 11: For some DSM programs, FPL states that the "fuel energy related costs" equal: avoided generation unit fuel cost - replacement fuel costs + program fuel savings + program fuel savings payback. [EXHIBIT 5, Pages 1-2]

RULING: Accepted.

FACT 12: For some DSM programs, FPL's "fuel energy related costs" were purportedly derived from PSC Forms CE 2.1 and 2.2, in the DSM Cost Allocation Manual adopted in Rule 25-17.008(3), FAC. [EXHIBIT 5, Pages 1-2]

RULING: Accepted.

FACT 13: For some DSM programs, FPL's avoided generation unit fuel cost was allegedly taken from PSC Form CE 2.1, Col. (5). [EXHIBIT 5, Pages 1-2]

RULING: Accepted.

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FACT 14: The avoided generation unit fuel cost in PSC Form CE 2.1, Col. (5) contains the "annual fuel costs for the avoided generating unit" - "this may be calculated by taking the fuel cost reported on PSC Form CE 1.1 times the kilowatts saved times the capacity factor times 8760, with fuel costs escalated appropriately." [RULE 25-17.008(3) and MANUAL, Page 36]

RULING: Accepted with qualification. The Rule and Manual establish a minimum filing requirement for reporting cost effectiveness data for DSM programs. Nothing in the rule prohibits any party from proposing additional formats.

FACT 15: For some DSM programs, FPL's "replacement fuel cost" was allegedly taken from PSC Form CE 2.1, Col. (6). [EXHIBIT 5, Pages 1-2]

RULING: Accepted.

FACT 16: The "replacement fuel cost" in PSC Form CE 2.1, Col. (6) "contains the replacement fuel costs that occur because the avoided generating unit was not built" - "these costs may be calculated by multiplying the annual kWh generation of the avoided unit by the replacement fuel costs shown on PSC Form CE 1.2." (The net fuel savings of the avoided plant would be calculated by subtracting this column from column 5). For a base-loaded avoided unit, the net fuel savings might be large. At the other extreme, the net fuel savings for a peaker might be very small or slightly negative." [RULE 25-17.008(3) and MANUAL, Pages 36-37]

RULING: Accepted with qualification. The Rule and Manual establish a minimum filing requirement for reporting cost effectiveness data for DSM programs. Nothing in the rule prohibits any party from proposing additional formats.

FACT 17: For some DSM programs, FPL stated the "program fuel savings" as PSC Form CE 2.1, Column (8). [EXHIBIT 5, Pages 1-2]

RULING: Accepted with the notation that program fuel savings are PSC Form CE 2.2, Column (8).

FACT 18: The "program fuel savings" in PSC Form CE 2.1, Column (8) are "the fuel savings generated by the conservation program" - "this is the product of the kWh saved per customer, the number of participating customers, and the appropriate marginal fuel costs." [RULE 25-17.008(3) and MANUAL, Pages 38-39]

RULING: Accepted with the notation that program fuel savings are in PSC Form CE 2.2, Column (8).

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FACT 19: Although FPL referred to the "program fuel savings payback" in the calculation of "fuel energy related costs" for some DSM programs on Exhibits 4 and 5, there is no Column (8a) on PSC Form CE 2.2. [EXHIBIT 5, Pages 1-2; RULE 25-17.008(3); and MANUAL, Pages 38-39a]

RULING: Accepted with qualification. The Rule and Manual establish a minimum filing requirement for reporting cost effectiveness data for DSM programs. Nothing in the rule prohibits any party from proposing additional formats.

FACT 20: FPL's Page 8 of its response to Staff Interrogatory No. 1 was allegedly based upon "fuel energy related costs" for some conservation programs, but FPL did not provide the input data from the cost-effectiveness filing, including marginal fuel cost data. [EXHIBIT 5]

RULING: Rejected. For some conservation programs, the input data from the cost-effectiveness filings for avoided marginal fuel cost was provided by FPL on PSC Form CE 3.3, Column (2) in Exhibit 5.

FACT 21: For the Efficient Motors GS program, FPL stated the fuel aspect of energy related avoided costs as (\$102,000). [EXHIBIT 5, Page 4]

RULING: Accepted.

FACT 22: For its Efficient Motors GS program filing, FPL stated the avoided generation unit fuel cost in 1993 as \$0, the replacement fuel costs as \$0 and the program fuel savings as \$0, whereas in 1994 the figures were \$0, \$0, and \$1,000, respectively. [EXHIBIT 5, Pages 8-9]

RULING: Accepted.

FACT 23: The 1992 actual energy savings from FPL's approved DSM programs differs from those savings which FPL projected in FPL's filings for Commission approval of those programs. [EXHIBIT 2 and TR 38, Lines 5-11]

RULING: Accepted.

FACT 24: The 1992 actual demand savings from FPL's approved DSM programs differs from those savings which FPL projected in most of FPL's filings for Commission approval of those programs. [EXHIBIT 2 and TR 38, Lines 5-11]

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RULING: Accepted.

FACT 25: As of 1992, the cumulative program-to-date energy savings from FPL's Residential Load Control (On Call) was 7.84 GWh, but FPL projected it would be 15.04 GWh when the program was filed. [EXHIBIT 2]

RULING: Accepted.

FACT 26: FPL alleged that actual "demand-related costs" are 117.77% of the total avoided costs projected for October 1993 - March 1994 for FPL's Residential Load Control (On-Call) program using the cost-effectiveness data in the program filing. [EXHIBITS 4 & 5]

RULING: Accepted.

FACT 27: As of 1992, the cumulative program-to-date winter demand savings from FPL's Residential Load Control (On Call) was 141.17 MW, but FPL projected it would be 277.45 MW when the program was filed. [EXHIBIT 2]

RULING: Accepted.

FACT 28: For 1992, the energy savings from FPL's Residential High-Efficiency HVAC Program was 34.01 GWh, but FPL projected it would be 23.56 GWh when the program was filed. [EXHIBIT 2]

RULING: Accepted.

FACT 29: FPL alleged that actual "demand-related costs" are 110.11% of the total avoided costs projected for October 1993 - March 1994 for FPL's Residential High-Efficiency HVAC program using the cost-effectiveness data in the program filing. [EXHIBIT 4 and EXHIBIT 5, Page 4]

RULING: Accepted.

FACT 30: For 1992, the summer demand savings from FPL's Residential High-Efficiency HVAC program was 7.63 MW, but FPL projected it would be 9.65 MW when the program was filed. [EXHIBIT 2]

RULING: Accepted.

FACT 31: For FPL's Residential Load Management Program (On-Call), the actual ratio of energy-to-demand savings for 1992 is 44 kWh/KW. [TR 48, Lines 2-7 and EXHIBIT 2]

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RULING: Accepted in part and rejected in part. The number is correct, but an energy to demand ratio has no Commission-established meaning.

FACT 32: For FPL's HELP Low-Cost program, the actual ratio of energy-to-demand savings for 1992 is 436,000 kWh/KW. [TR 48, Lines 13-20 and EXHIBIT 2]

RULING: Accepted in part and rejected in part. The number is correct, but an energy to demand ratio has no Commission-established meaning.

FACT 33: For FPL's C/I Load Control Program, the actual ratio of energy-to-demand savings for 1992 is 1.8 kWh/KW. [TR 49, Lines 3-7 and EXHIBIT 2]

RULING: Accepted in part and rejected in part. The number is correct, but an energy to demand ratio has no Commission-established meaning.

FACT 34: FPL alleged that actual "demand-related costs" are 125.00% of the total avoided costs projected for October 1993 - March 1994 for FPL's C/I Load Control Program using the cost-effectiveness data in the program filing. [EXHIBIT 4 and EXHIBIT 5, Page 4]

RULING: Accepted.

FACT 35: For FPL's C/I Efficient Lighting program, the actual ratio of energy-to-demand savings for 1992 is 4,227 kWh/KW. [TR 49, Lines 21-24 and EXHIBIT 2]

RULING: Accepted in part and rejected in part. The number is correct, but an energy to demand ratio has no Commission-established meaning.

FACT 36: FPL alleged that actual "demand-related costs" are 79.45% of the total avoided costs projected for October 1993 - March 1994 for FPL's C/I Efficient Lighting Program using the cost-effectiveness data in the program filing. [EXHIBIT 4 and EXHIBIT 5, Page 4]

RULING: Accepted.

FACT 37: The proportion of "demand-related costs" to total projected avoided costs for FPL's approved DSM programs varies from 66.16% (Residential Ceiling Insulation) to 159.83% (Residential HELP). [EXHIBIT 5, Page 4]

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RULING: Accepted.

FACT 38: Generally, participants in FPL's DSM programs benefit more than non-participants, no matter what the rate class. [TR 277, Lines 4-8]

RULING: Rejected. The proposed finding is vague.

FACT 39: FPL witness Birkett's opinion that all of FPL's programs are demand-related is based upon his analysis of the dollar benefits of FPL's DSM programs solely from projected cost-effectiveness data in each program-approval filing. [TR 49, Line 25 to TR 50, Line 17]

RULING: Accepted.

FACT 40: Participants in FPL's DSM programs that have energy benefits receive the benefit of lower bills than the customers would have received if they had not participated, all other things being equal. [TR 278, Line 7 to TR 279, Line 3]

RULING: Rejected. The proposed finding is vague.

FACT 41: For non-demand billed FPL customers, the benefits of FPL's DSM programs are related to the effectiveness that those programs have in saving customers energy. [TR 279, Lines 4-14]

RULING: Rejected. Whether or not a class of customers is demand or non-demand billed is unrelated to any benefits the class receives from DSM programs.

FACT 42: For FPL's non-time-of-use customers, there is no within-class inequity associated with recovering ECCR costs from demand customers on the basis of kWh consumption. [TR 283, Lines 9-19 and EXHIBIT 16]

RULING: Rejected. This statement is conclusory opinion, not a fact.

FACT 43: Actual benefits that both participants and non-participants receive from DSM programs are dependent upon the accuracy of forecasts in program filings. [TR 134, Lines 5-16]

RULING: Rejected. Actual benefits are what they are, independent of the accuracy forecasts.

FACT 44: FPL's proposed allocation mechanism is inappropriate because it would allocate all ECCR costs with[out] distinguishing

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those costs that primarily avoid capacity costs and those that primarily avoid energy costs. [TR 241, Lines 6-13]

RULING: Rejected. This statement is conclusory opinion, not a fact.

FACT 45: All of FPL's current DSM research projects are designed primarily to reduce peak demand rather than to primarily reduce energy consumption. [TR 59, Lines 11-20]

RULING: Rejected. This statement is conclusory opinion and not a finding of fact. For purposes of developing an exhibit in this docket, FPL was asked to make such a rough approximation of its research projects. However, the basis for determining what constitutes primary peak demand reduction verses primary energy consumption reduction is a policy decision which has not been established by the Commission.

FACT 46: In FPL's 1989 MFR rate filing, conservation costs were treated as a clause, as such were not allocated to rate classes (zeroed out). [TR 21, Line 20 to TR 22, Line 4]

RULING: Accepted.

FACT 47: FPC's allocation methodology comes the closest to reflecting cost causation of DSM programs. [TR 234, Lines 8-14]

RULING: Rejected. This statement is conclusory opinion, not a fact.

FACT 48: FPC's current load management programs primarily avoid peaking units. [TR 239, Lines 2-5]

RULING: Rejected. The proposed finding is vague and not supported by the record.

FACT 49: Peaker-generated electricity is generally more expensive than energy generated from base load and intermediate units. [TR 239, Lines 22-23]

RULING: Rejected. The proposed finding is vague.

FACT 50: TECO's present allocation methodology is more appropriate than its prior allocation methodology because it is more consistent with allocating and recovering DSM program costs on a "cost-causer-pays" basis. [TR 246, Lines 1-19]

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RULING: Rejected. This statement is conclusory opinion, not a fact.

FACT 51: Gulf's proposed allocation methodology does not properly reflect principles of [cost] causation. [TR 243, Line 15 to TR 244, Line 21]

RULING: Rejected. This statement is conclusory opinion, not a fact.

FACT 52: Gulf's proposed allocation methodology would not eliminate customer cross-subsidization. [TR 244, Line 23 to TR 245, Line 1]

RULING: Rejected. This statement is conclusory opinion, not a fact.