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January 9, 1996

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BY HAND DELIVERY

Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
4075 Esplanade Way, Room 110
Tallahassee, Florida 32399-0850

960042-EG

Re: Florida Power & Light Company
Gas Commercial/Industrial Business Custom Incentive Research Project

Dear Ms Bayó:

Enclosed for filing on behalf of Florida Power & Light Company are the original and fifteen copies of the Petition For Approval Of Florida Power & Light Company's Gas Commercial/Industrial Business Custom Incentives Research Project.

If you or your staff have any questions regarding this transmittal, please contact me at 222-2300

Very truly yours,



Charles A. Guyton
Attorney for Florida Power
& Light Company

cag

enc.

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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida Power)
& Light Company For Approval)
of Gas Commercial/Industrial)
Business Custom Incentives)
Research Project)

Docket No. 960042-EG

Filed: January 9, 1996

PETITION FOR APPROVAL OF
FLORIDA POWER & LIGHT COMPANY'S
GAS COMMERCIAL/INDUSTRIAL
BUSINESS CUSTOM INCENTIVES RESEARCH PROJECT

Florida Power & Light Company ("FPL"), pursuant to Section 366.82(2), Florida Statutes (1995) and Commission Order No. PSC-95-1343-S-EG approving a stipulation between FPL and Peoples Gas System, Inc. ("Peoples"), hereby petitions the Florida Public Service Commission ("Commission") to approve the Gas Commercial/Industrial Business Custom Incentives Research Project as part of FPL's Demand Side Management Plan and to allow FPL to recover reasonable and prudent expenditures for the Gas Commercial/Industrial Business Custom Incentives Research Project through FPL's Energy Conservation Cost Recovery ("ECCR") Clause. The grounds for this Petition are:

1. FPL is an investor-owned electric utility regulated by the Commission pursuant to Chapter 366, Florida Statutes. FPL is subject to the Florida Energy Efficiency Conservation Act ("FEECA"), Section 366.80-85, 403.519, Florida Statutes (1993), and its ECCR Clause is subject to the Commission's jurisdiction. FPL is substantially affected thereby.
2. FPL's address is 9250 West Flagler Street, Miami, FL 33174. Correspondence, notices, orders and other documents concerning this Petition should be sent to:

Charles A. Guyton
Steel Hector & Davis
Suite 601
215 S. Monroe St.
Tallahassee, FL 32301

William G. Walker, III
Vice President, Regulatory Affairs
Florida Power & Light Company
9250 W. Flagler Street
Miami, FL 33174

3. As part of the settlement of Docket No. 941170-EG, the docket in which FPL's DSM Plan was approved, FPL and Peoples Gas System, Inc. entered into a stipulation in which FPL agreed, "to file a petition with the Florida Public Service Commission seeking approval of a gas research and development project patterned after FPL's Business Custom Incentive ("BCI") Program." This petition seeks approval of the gas research and development project FPL agreed to in the FPL/Peoples' stipulation. The FPL/Peoples' stipulation was approved by the Commission in Order No. PSC-1343-S-EG.

4. The objective of the Gas Commercial/Industrial Business Custom Incentives Research Project is to assist FPL's commercial and industrial customers achieve, through natural gas applications not otherwise being researched by FPL (other than desiccant cooling), electric demand savings cost-effective to all FPL customers. Under this Project FPL would provide incentives to qualifying commercial and industrial customers who purchase, install and successfully operate cost-effective natural gas energy efficiency measures not covered by other FPL research efforts (other than desiccant cooling) that reduce electric demand or shift electric demand from summer peak. The Gas Commercial/Industrial Business Custom Incentives Research Project is described in more detail in Appendix A, proposed Program Standards

5. The Gas Commercial/Industrial Business Custom Incentives Research Project will help advance the policy objectives set forth in Rule 25-17.001, Florida Administrative Code and the FEECA. As shown in Appendix A, the Gas Commercial/Industrial Business Custom Incentives Research Project will be available for gas technologies that have the potential to cost-

effectively reduce, or shift to off-peak, summer peak demand for each of FPL's commercial and industrial customers who participates. The minimum per program participant requirement to qualify is a 25 kW demand reduction or shift from summer peak.

6. Consistent with the terms of the FPL/Peoples stipulation in Docket No. 941170-EG, the Gas Commercial/Industrial Business Custom Incentives Research Project will extend for two years from program approval and will be limited to cost-effectiveness analyses on no more than 24 gas projects. The projects passing cost-effectiveness may not exceed 2 mW individually and 10 mW collectively. Except for desiccant cooling, applications which FPL is actively researching will not be eligible for the Gas Commercial/Industrial Business Custom Incentive Research Project. To make gas engine-driven chillers with heat recovery systems eligible for this research project, FPL is seeking to amend its gas engine-driven research project to remove such applications. Other criteria for eligibility as well as limitations on incentives for applications eligible for both this research project and a Peoples Gas approved DSM program are addressed further in Appendix A.

7. Incentives will not be offered until the participating customer provides sufficient documentation for the Company to determine cost-effectiveness, and FPL determines that the natural gas measures or activities planned by the customer are cost-effective. The incentive will be negotiated with the customer. In no instance will the incentive exceed the maximum calculated by FPL as being cost-effective under the Rate Impact Test at a benefit to cost ratio of 1.01. Additionally, in no instance will the incentive exceed the amount that would make the customer's payback period less than two years. Payment of incentives will be phased. The timing of the incentive will be subject to negotiations between FPL and the customer.

8. Within ninety days of the payment of an initial incentive under this research project, FPL will provide the Commission Staff the cost-effectiveness analyses upon which the initial incentive was paid. FPL will also file in its ECCR true-up filing for a period in which an initial incentive payment is made under this research project a copy of the underlying cost-effectiveness analyses.

9. Because of the customized nature of this research project, participation rates and overall cost-effectiveness for the project cannot be projected. However, overall project cost-effectiveness will be assured through the offering of incentives for each customer that make the gas conservation measures and activities cost-effective.

10. The Gas Commercial/Industrial Business Custom Incentives Research Project is directly monitorable and will yield measurable results. FPL's monitoring plan is described in Appendix A. Any savings achieved through this research project will be recognized in determining whether FPL has achieved its conservation goals.

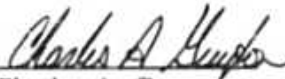
11. FPL is not aware of any disputed issues of material facts. The Gas Commercial/Industrial Business Custom Incentives Research Project should be approved and incorporated into FPL's DSM Plan, and FPL should be authorized to recover through its ECCR clause its reasonable and prudent expenditures for the Gas Commercial/Industrial Business Custom Incentives Research Project.

WHEREFORE, FPL respectfully petitions the Commission to approve FPL's Gas Commercial/Industrial Business Custom Incentives Research Project and allow FPL to recover its reasonable and prudent project expenditures through FPL's ECCR clause.

Respectfully submitted,

STEEL HECTOR & DAVIS
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Attorneys for Florida Power
& Light Company

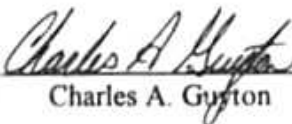
By: 
Charles A. Guyton

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Petition For Approval Of Florida Power & Light Company's Gas Commercial/Industrial Business Custom Incentives Research Project was mailed this 9th day of January, 1996 to the following:

Jack Shreve, Esquire
Office of Public Counsel
111 West Madison Street
Room 812
Tallahassee, FL 32399-1400

Robert Scheffel Wright, Esquire
Landers & Parsons
310 West College Avenue
Third Floor
Tallahassee, FL 32301



Charles A. Guyton

Appendix A

PROPOSED PROGRAM STANDARDS



**Gas Commercial/Industrial
Business Custom
Incentives Research Project
Program Standards**

**Florida Power & Light Company
Gas Commercial/Industrial
Business Custom Incentives Research Project
Program Standards**

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**Florida Power & Light Company
Gas Commercial/Industrial
Business Custom Incentives Research Project
Program Standards**

Program Objective

The object of the Florida Power & Light Company's (FPL) Gas Commercial/Industrial Business Custom Incentives Research Project is to encourage commercial and industrial customers to reduce, or shift to off-peak hours, on-peak electric demand. FPL will provide incentives to eligible C/I customers who purchase, install and successfully operate qualifying natural gas applications which cost-effectively reduce or shift electric demand.

Customer Eligibility

Eligible facilities must be served by FPL and Peoples Gas System, Inc. (Peoples) simultaneously and must be located within FPL's service territory.

The Gas Commercial/Industrial Business Custom Incentives Research Project will extend for a period of two years from program approval, unless shortened or discontinued upon the Commission's initiative. Under the Gas Commercial/Industrial Business Custom Incentives Research Project, Peoples may request cost-effectiveness analyses for no more than twenty-four (24) projects. Projects which pass cost-effectiveness may not exceed a savings of 10 mW collectively.

The Gas Commercial/Industrial Business Custom Incentives Research Project is available to all FPL C/I customers which, as a result of the proposed gas measure(s), are able to reduce their facility's electric demand coincident with FPL's summer system peak by a minimum of 25 kW individually and may not exceed a savings of 2 mW per customer. Summer peak occurs from 3:00 pm to 6:00 pm on weekdays, excluding holidays, between April 1st and October 31st.

Equipment Eligibility

Except for desiccant cooling equipment, the proposed gas equipment (or measure(s)) must not be covered by any other FPL program or research project. However, measure(s) covered by FPL program(s) may qualify if bundled with and related to equipment or measure(s) that would not qualify for an FPL program.

The subject gas equipment must not have been installed prior to the date of written acceptance by FPL of a customer's proposal. The gas equipment must not be installed later than one year after the acceptance date, unless prior approval is given by FPL.

The proposed gas measure(s) must have a simple payback of no less than 2 years when the incentives from FPL and Peoples Gas are included. If including Peoples' incentive combined with FPL's incentive results in less than a two year payback to the customer, both Peoples' and FPL's incentives shall be reduced proportionately to a level such that the customer receives a total incentive that results in a payback of not less than two years.

Measure(s) installed in both existing facilities and new construction are eligible. Measure(s) associated with new construction must not be addressed by or necessary to meet the requirements of any applicable federal, state or local municipal building or energy codes. This will permit new construction projects when the measure(s) are unique, such as efficiency improvements for an industrial process.

The customer's project must not adversely impact FPL system reliability, equipment, and safety.

All eligible gas equipment must be installed and operated in accordance with the manufacturer's recommendations and specifications for the intended application.

The following are conditions which will preclude the eligibility of equipment for the Gas Commercial/Industrial Business Custom Incentives Research Project:

- operational or maintenance improvements that are not permanent;
- except for desiccant cooling, applications which FPL is actively researching, including the applications covered by FPL's Natural Gas End-Use Technology Research and Development Plan, will not be eligible for this gas research and development project unless bundled with equipment that is not eligible for FPL DSM incentives.;
- power generation technologies larger than 150 kW;
- wheeling of any type;

Participation Requirements

A screening application or other document(s) with sufficient information to allow an assessment of the project must be submitted to FPL for initial review and screening.

Following the review of the information submitted with the screening application or similar documents, and after an affirmative response by FPL to proceed, the customer must submit a Formal Proposal in order for FPL to officially consider the project for participation in the Gas Commercial/Industrial Business Custom Incentives Research Project. The Formal Proposal is the official description of the project, and must include any information which FPL may require in order to determine the project's cost-effectiveness, feasibility, and impact on FPL's electric system, equipment, and safety.

Upon written acceptance of the Formal Proposal by FPL, the customer and FPL will

negotiate a contract detailing the terms of participation in the Gas Commercial/Industrial Business Custom Incentives Research Project, and the execution of this Contract will initiate the customer's participation in the Gas Commercial/Industrial Business Custom Incentives Research Project. Acceptance of the Formal Proposal means that FPL has reviewed the Formal Proposal, and has determined that both the Formal Proposal and the corresponding project meet all of the requirements for participation in the Gas Commercial/Industrial Business Custom Incentives Research Project.

Installations must comply with all Federal, State, and Local codes and regulations, shall be made pursuant to all necessary permits, and shall be performed by qualified personnel.

The facilities in which the installation(s) are made shall be accessible to FPL employees for observation during installation and for monitoring as agreed to between FPL and the customer.

All projects will be monitored. Monitoring will consist of one of two levels of activity based on FPL's determination:

- High-Moderate confidence projects - measures with which FPL has significant experience and/or confidence as to the performance characteristics. For these projects, FPL will require, at a minimum, an engineering analysis with relevant calculations. FPL, at its determination, may also require a feasibility study performed by an independent, registered professional engineer, and/or field monitoring of the project.
- Innovative projects - measures with which FPL has no significant experience or confidence with the performance characteristics. For these projects, FPL will require field monitoring/measurement of the project's performance.

FPL shall be solely responsible for determining the monitoring activity required, as well as for assessing the performance of the project as indicated by the monitoring results.

Incentive Processing

Upon satisfying all conditions of the "Customer Eligibility", "Equipment Eligibility", and "Participation Requirements" sections as specified herein, the customer (or the customer's designee where appropriate) may be offered and paid an incentive by FPL.

Incentive Payment Determination

Incentives will be offered only under the following conditions:

- the customer provides sufficient documentation for FPL to determine cost-effectiveness;
- FPL determines that the measure is cost-effective, with the incentive included;
- the payback to the customer, with the incentive included, is two (2) years or greater.

For each Formal Proposal submitted by a customer, the proposed project will undergo a cost-effectiveness evaluation using the Commission approved methodology. In order to be eligible for an incentive, the project must have a benefit-to-cost ratio of at least 1.01 under the Rate Impact Measure (RIM) Test, with the incentive included. In addition, the project must achieve a minimum benefit-to-cost of ratio of 1.00 in the Participant Test.

To determine the incentive amount available, the project will be evaluated utilizing the assumptions of the current integrated resource plan, either as a replacement of a portion of existing DSM resources included in the resource plan, or as an addition of resources beyond the needs satisfied by DSM in the current resource plan. If it is determined that the project is a replacement of some existing DSM resources, it will have, with the incentive, at least the same net benefits per kW under RIM as the competing DSM, as well as a minimum 1.01 benefit-to-cost ratio against the same generation resource deferred by the competing DSM. If the project is positioned as an addition, it will, with the incentive, have at least a 1.01 RIM benefit-to-cost ratio against the next required generation resource beyond the needs satisfied by DSM in the current resource plan.

Incentive Payment Timing

The payment stream of the incentive amount will be negotiated on a case by case basis between the customer and FPL and will be included in the contract.

Incentive Adjustment and Investment Protection

Once monitoring of the project has been completed, the total incentive amount may be adjusted downward to achieve a 1.01 benefit-to-cost ratio under the RIM Test if the actual summer coincident peak demand reduction is more than ten (10) percent below the demand savings stated in the contract for participation. Any adjustment will be based on the Commission-approved cost-effectiveness methodology utilizing the actual savings and the same resource assumptions in effect at the date of FPL's approval of the customer's Formal Proposal. No upward adjustment of the incentive amount will be made.

For a period of five (5) years from the date of the final incentive payment to the

customer by FPL, should the customer change its electric rate from the rate in effect at the time of the original determination of the incentive amount, FPL reserves the right to recalculate the eligible incentive amount using the new rate. Any decrease in the incentive amount will be immediately payable by the customer to FPL. Or, within the same five (5) year period, should FPL find that the applicable measure(s) is no longer in operation as stated in the Formal Proposal, FPL may require the repayment in full of the incentive amount paid to the customer under the Gas Commercial/Industrial Business Custom Incentives Research Project.