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May 23, 1997

HAND DELIVERED

Ms. Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: Determination of appropriateness of allocating electric utility sponsored demand side program costs to rate classes eligible to participate in such programs;  
FPSC Docket No. 970046-EI

Dear Ms. Bayo:

Enclosed for filing in the above docket are the original and fifteen (15) copies of Tampa Electric Company's Responses to the three issues contained in Staff's memorandum to interested persons dated May 8, 1997.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning same to this writer.

Thank you for your assistance in connection with this matter.

Sincerely,

  
James D. Beasley

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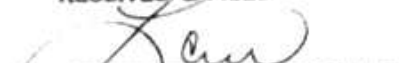
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FPSC BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

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FPSC-BUREAU OF RECORDS/REPORTING

TAMPA ELECTRIC COMPANY'S RESPONSES TO STAFF'S THREE QUESTIONS IN  
DOCKET NO. 970046-EI

1. Are the general body of ratepayers at greater risk in terms of realizing benefits from DSM programs as the RIM cost-effectiveness ratio approaches 1.0?

Tampa Electric Company's Response: No. By definition, programs with RIM cost-effectiveness ratios greater than 1.0 provide benefits to the general body of ratepayers. However, as that ratio approaches 1.0, the risk of benefit realization does not necessarily diminish. Instead, the level of benefits may change and that change could be up or down depending on program participation rates, incentive levels, administrative costs, free ridership, customer behavioral changes, etc.

Tampa Electric Company examines different aspects of program cost-effectiveness on an annual basis to identify causes for change in program participation rates and the values of not only the RIM Test but the TRC Test and Participants' Test as well. Should a program's cost-effectiveness value on any of these tests drop below 1.0, modifications to both program design and standards are analyzed for purposes of re-establishing cost-effectiveness. Once this analysis phase has been completed and a program can no longer achieve cost-effectiveness, Tampa Electric, operating in a prudent manner, would seek suspension of that program obviating any concerns over benefit realization.

2. Recognizing the unavoidable competitive impact of DSM programs, should ratepayers continue to pay for DSM programs through the ECCR clause absent an analysis showing the benefit of such competition? Why or why not?

Tampa Electric Company's Response: The preface to this issue recognizes "the unavoidable competitive impact of DSM programs." Tampa Electric does not believe there is any more "unavoidable competitive impact" associated with DSM programs than there is with any other pricing differential as between competing suppliers of energy resources or differentials in service offered by these suppliers. The issue further inserts a new test of "an analysis showing the benefit of such competition" for determining whether the cost of these programs should continue to be recovered through the ECCR clause.

DSM programs are mandated by the Florida Energy Efficiency and Conservation Act, Sections 366.80 - 366.85 and 403.519, Florida Statutes, as implemented in the Commission's own rules. Conservation goals for electric utilities are addressed in Rule 25-17.0021. The electric utilities' current conservation goals were adopted after lengthy hearings during the summer of 1994. Actual program approval was even more recent.

Cost recovery through the ECCR clause on a current basis with projections and true-ups is prescribed by statute in Section 366.82, Florida Statutes. This section contains no conditions regarding any analysis showing the benefits of competition.

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FPSC-RECORDS/REPORTING

A current forum does exist for the examination of ECCR expenses relative to any issue the Commission or its Staff may have with a utility. That forum is the annual field audit performed by Staff auditors on a utility's true-up filing. Any concern for improprieties of any nature should and are identified during these audits. These field audits have provided no record of Tampa Electric utilizing DSM programs for competitive purposes.

This lack of finding was further supported in the October 1995 through September 1996 Commission ordered management audit conducted by the Bureau of Regulatory Review. After a thorough, comprehensive exercise including several data requests, lengthy on-site interviews with field and management personnel on two separate occasions, numerous telephone conversations, and an exhaustive collection and review of Commercial/Industrial DSM program descriptions, standards and purposes, no evidence supporting a problem was identified.

3. Staff expressed its concern regarding the marginal RIM cost-effectiveness of DSM programs, and the competitive nature of DSM programs. Assuming these are problems, what solutions should the Commission consider?

Tampa Electric Company's Response: Tampa Electric does not understand Staff's concern regarding the "marginal RIM cost-effectiveness of DSM programs, and the competitive nature of DSM programs." The company cannot assume that these are problems or that any "solutions" need be considered. If Staff believes that any particular approved conservation program is no longer cost-effective to a utility's general body of ratepayers, Staff is free to raise that issue on a program specific basis. Also, utilities are free to approach the Commission at any time and seek suspension of any program a utility determines no longer is cost-effective or to propose modifications to existing programs to make them more cost-effective. In the absence of any such determination, no solutions need be considered.

Reiterating from Tampa Electric's response to Issue #1, the company reviews its DSM programs annually. To that end, Tampa Electric is in the process of formulating certain modifications that will address program cost-effectiveness based on current planning assumptions and will be submitting these proposals for Commission approval in the near future.