

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into the appropriate cost recovery of marginally cost-effective electric utility sponsored demand-side management programs.

DOCKET NO. 970046-EI
ORDER NO. PSC-97-0927-FOF-EI
ISSUED: August 4, 1997

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
DIANE K. KIESLING
JOE GARCIA

ORDER CLOSING DOCKET

BY THE COMMISSION:

Pursuant to Order No. PSC-95-1343-S-EG, issued November 1, 1995, we initiated a management review to address the following questions, among others:

1. Whether the implementation of conservation programs by the electric and gas utilities, particularly for commercial/industrial (C/I) customers, has complied with our policy of fuel neutrality.
2. Whether the conservation programs of the electric and gas utilities, particularly for C/I customers, have resulted in the increased usage of electricity and natural gas.

In September 1996, the Division of Research and Regulatory Review (RRR) published its "Review of Commercial/Industrial Demand-Side Management (C/I DSM) Programs of Six Florida Utilities." This report, in part, analyzed the C/I DSM programs of the four largest investor-owned electric utilities (IOUs), and the two largest gas distribution utilities. The report also examined the effect of C/I DSM programs on the competitive relationship between the electric and gas industries. One of the conclusions from the study is that the promotion, advertising, and operation of C/I DSM programs play

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significant roles in the competition between the electric and natural gas utilities examined.

On May 7, 1997 a workshop was held to develop and discuss issues, and possible solutions of the competitive uses of DSM programs. At the workshop, commission staff reiterated the findings of the RRR report, and the cost-effectiveness ratios of DSM programs as filed in November 1996. Staff also presented its idea of allocating DSM program cost to those rate classes eligible to participate for programs with a RIM ratio of greater than 1.0 but less than 1.2. The parties questioned whether what was perceived to be a problem, that is the competitive use of DSM programs funded through the ECCR clause, was in fact a problem. Concern was also expressed that establishing a threshold for general cost recovery through the ECCR (greater than 1.2) would become the de facto threshold for all programs proposed by the utilities. Participants were requested to file comments and to respond to the proposal.

The responses were generally in opposition to the proposal. Specifically, parties questioned the linkage of the unavoidable competitive effect of DSM programs and changing cost allocation as a means of addressing the effect. Parties did acknowledge that DSM program cost-effectiveness can be better assured through greater monitoring.

We will monitor DSM programs more frequently, particularly with respect kW and kWh claimed savings, various avoided cost assumptions and resulting cost-effectiveness ratios. As part of the review of new programs and program modifications, additional emphasis will be placed on the utility's efforts to quantify the projected kilowatt and kilowatt-hour savings from the program. These efforts will help to assure that all the ratepayers who pay for cost-effective DSM programs receive the benefit they pay for. Given these activities, we find that further action in this docket is not necessary. Therefore, we find that this docket should be closed.

Rule 25-17.0021, Florida Administrative Code, requires us to set numeric DSM goals at least once every five years for each utility subject to Chapter 366.82(1), Florida Statutes (the Florida Energy Efficiency and Conservation Act). We established goals for the four largest electric IOUs in October 1994 by Order No. PSC-94-1313-FOF-EG. We will open goal setting dockets before the end of 1997 to insure goals can be set by the October 1999 deadline. Many

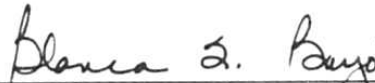
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issues relating to the use of DSM for competitive purposes can be considered in the goal setting proceedings.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Docket No. 970046-EI be closed.

By ORDER of the Florida Public Service Commission, this 4th day of August, 1997.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of

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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 and/or wastewater utility by filing a notice of appeal with the Director, Division of Records and reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.