

FLORIDA PUBLIC SERVICE COMMISSION
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Tallahassee, Florida 32399-0850

MEMORANDUM

SEPTEMBER 25, 1997

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SEP 25 1997

9:30

FPSC - Records Reporting

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO) *AP*

FROM: DIVISION OF ELECTRIC & GAS (COLSON) *KC TA AJ*
DIVISION OF LEGAL SERVICES (PAUGH) *RVE* *JDJ*

RE: DOCKET NO. 970542-EG - PETITION TO TERMINATE FLORIDA
POWER AND LIGHT COMPANY'S RESIDENTIAL HEAT RECOVERY WATER
HEATING PROGRAM.

AGENDA: OCTOBER 7, 1997 - REGULAR AGENDA - PROPOSED AGENCY ACTION
- INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\EAG\WP\970542.RCM

CASE BACKGROUND

In October 1995, the Commission approved Florida Power and Light's (FPL) Residential Heat Recovery Water Heating (RHRWH) Program as part of FPL's demand side management (DSM) plan in Order Numbers PSC-95-1343-S-EG, and PSC-95-1343A-S-EG. The RHRWH Program is designed to reduce FPL's summer and winter coincident peak demand and energy attributable to electric resistance water heating equipment by encouraging customers, through the use of incentives, to purchase heat recovery units (HRU). The RHRWH Program applies to residential dwelling units that have been served by FPL for at least one year. The existing water heater must be an electric resistance water heater, and must not currently have an associated operational solar or heat pump water heater.

In staff's first set of interrogatories in Docket No. 960002-EG, FPL was asked to evaluate each of its approved DSM Programs using the company's most recent planning assumptions. The results showed that the RHRWH Program along with several other DSM Programs failed the Rate Impact Measure (RIM) test. FPL stated that the requested analyses were not sufficient to access whether the Programs should continue to be offered. FPL agreed at that time to reevaluate each of the Programs that failed the RIM test to determine potential Program modifications that may be desirable.

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On May 6, 1997, FPL filed a petition to terminate its RHRWH Program and remove it from FPL's DSM plan. FPL now believes that the Program is no longer cost-effective and cannot be modified to be made cost-effective and still address the needs of FPL's customers.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve the Petition to Terminate Florida Power & Light Company's Residential Heat Recovery Water Heating (RHRWH) Program?

RECOMMENDATION: Yes.

STAFF ANALYSIS: When the evaluations were performed in FPL's 1996 planning process, the benefit-to-cost ratio for the RHRWH Program's Rate Impact Measure (RIM) test was calculated to be 0.67. This analysis included an incentive of \$340 for each kW reduction. Even if the incentives were eliminated, and assuming that the number of participants remained the same, the benefit-to-cost ratio for the Program's RIM test increased to only 0.77.

Two major factors that contributed to reducing the benefit-to-cost ratio for the RHRWH Program:

1. FPL's actual kW and kWh savings (.10 kW and 250 kWh per installation), obtained by enduse monitoring were less than the projected kW and kWh savings (.22 kW and 579 kWh), obtained from data supplied by the Florida Solar Energy Center. Therefore, since the actual kW and kWh savings are less than the projected savings, the benefits to FPL's ratepayers are reduced.

2. FPL's actual participation in its RHRWH Program in 1996 (1,332) was less than the projected participation (approximately 2,697). FPL now projects that there will be 1000 participants per year in the RHRWH Program thru 2000. Therefore, since the Program's administration costs in most cases are fixed, any fluctuation in the number of participants will move the cost to administer the Program up or down. In this case, the number of participants has decreased, therefore the Program cost has increased.

FPL proposes to end the RHRWH Program by discontinuing to process any incentive certificates which are related to installations of heat recovery units (HRU) made twenty (20) days after the date the Commission Order discontinuing the Program becomes final. Also, FPL will notify all of the Program's independent participating contractors of the Commission's decision to terminate the RHRWH Program in writing within five (5) days of the order terminating the Program becomes final. FPL proposes to process for eighty (80) days after the termination Order becomes final all incentive certificates received for installations of HRU units which predate the twentieth day following the day the Commission's discontinuance order becomes final. Any incentive

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certificates received after that eighty day period following discontinuance of the Program will not be processed.

As stated in (1) and (2) above, the decrease in actual demand and energy savings, and the reduced number of participants now used in the RIM analysis has reduced the benefits and increased the costs associated with the RHRWH Program. These factors are the reasons why the RHRWH Program is no longer beneficial to FPL's general body of ratepayers. Staff therefore recommends that the Commission approve FPL's request to terminate its RHRWH Program and the dropping of the Program from FPL's DSM Plan. Also, staff recommends that the Commission approve FPL's request to continue energy conservation cost recovery of Program costs related to the termination of the Program as discussed above.

ISSUE 2: Should this docket be closed?

RECOMMENDATION Yes. If no person whose substantial interests are affected by the Commission's proposed agency action, files a protest within twenty-one days of the issuance of this Order, this docket should be closed.

STAFF ANALYSIS : Pursuant to Rule 25-22.029(4), Florida Administrative Code, any person whose substantial interests are affected by the Commission's proposed agency action shall have 21 days after issuance of the Order to file a protest. If no timely protest is filed, the docket should be closed.