

M E M O R A N D U M

NOVEMBER 24, 1997

RECEIVED ✓

NOV 24 1997
1:55
FPSC - Records/Reporting

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF LEGAL SERVICES (KEATING) WCK RVE

RE: DOCKET NO. 970540-EG - PETITION BY FLORIDA POWER & LIGHT
COMPANY FOR MODIFICATION OF DUCT SYSTEM TESTING AND
REPAIR PROGRAM

1480-FOF-EG

Attached is a NOTICE OF PROPOSED AGENCY ACTION ORDER APPROVING
MODIFICATION OF DUCT SYSTEM TESTING AND REPAIR PROGRAM to be issued
in the above referenced docket. (Number of pages in Order - 7)

WCK/js
Attachment
cc: Division of Electric and Gas (Haff)
I:970540or.wck

faxed 2/0
mailed -

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Florida Power
& Light Company for modification
of Duct System Testing and
Repair Program.

DOCKET NO. 970540-EG
ORDER NO. PSC-97-1480-FOF-EG
ISSUED: November 24, 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

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING MODIFICATION OF DUCT SYSTEM
TESTING AND REPAIR PROGRAM

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

In November 1995, this Commission approved Florida Power & Light Company's (FPL) Duct System Testing and Repair Program as part of its demand-side management (DSM) plan in Order Nos. PSC-95-1343-S-EG and PSC-95-1343A-S-EG. The Duct System Testing and Repair Program encourages demand and energy conservation through the identification of air leaks in air conditioning duct systems, and the repair of those leaks by qualified contractors. Under this program, FPL performs on-site tests at the customer's premise, identifies leak sites, and provides financial incentives to customers for leak repairs. The current program is open to all residential customers and to small, non-demand metered commercial and industrial (C/I) customers.

DOCUMENT NO. DATE

12041 NOV 24 6

FPLC RECORDS AND REPORTING

When we approved this program in November 1995, it was cost-effective under all three Commission-approved tests: the Rate Impact Measure (RIM) test, the Total Resource Cost (TRC) test, and the Participants test. In the most recent Energy Conservation Cost Recovery (ECCR) clause proceedings (Docket No. 960002-EG), we asked FPL to evaluate the cost-effectiveness of all Commission-approved DSM programs using FPL's most recent planning assumptions. These results showed that the Duct System Testing and Repair Program, along with several other DSM programs, failed the RIM test. FPL stated that these analyses did not sufficiently determine at that time whether FPL should continue to offer these DSM programs. FPL agreed to reevaluate each DSM program that failed the RIM test to determine potential program modifications that would restore cost-effectiveness.

The purpose of FPL's petition in this docket is to seek our approval of two program modifications which, if granted, are expected to restore the cost-effectiveness of the Duct System Testing and Repair Program. The two changes proposed by FPL are: (1) reduce the average customer incentive from \$629/kW to \$369/kW of summer peak demand reduced; and (2) exclude small, non-demand metered C/I customers from further program participation.

FPL's Duct System Testing and Repair Program appears to be monitorable and able to yield measurable results. FPL provided us with its program evaluation plan for the 1997-1999 period. This evaluation plan reflects FPL's intent to perform end-use monitoring at 100 sites in 1997 and 1998 to record the energy usage during every hour of the day. FPL also plans to conduct post-participation phone surveys of 400 customers in 1997 and 1998.

Projected demand and energy savings for FPL's modified Duct System Testing and Repair Program are based on past end-use metering of the current program. End-use metering showed that FPL was receiving less demand and energy savings than it originally projected in 1995 for the current program. As a result, FPL's new demand and energy savings projections for the modified program are less than those made for the current program, as illustrated in the following table:

FPL'S FORECASTED PER-PARTICIPANT DEMAND & ENERGY SAVINGS		
	Nov. 1995 (current program)	May 1997 (as modified)
Summer Peak Demand	0.34 kW	0.28 kW
Winter Peak Demand	0.65 kW	0.31 kW
Annual Energy Consumption	547 kWh	467 kWh

One of FPL's proposed program modifications would reduce the average customer incentive level from \$629/kW to \$369/kW of summer peak demand reduced. FPL expects to suffer decreased program participation as a result of the reduced customer incentive. By the year 2000, FPL forecasts 78,931 program participants with the new, reduced customer incentive; 98,937 customers were forecasted to participate in the year 2000 absent any change in the incentive level. Using the new program participant forecast, FPL expects the Duct System Testing and Repair Program to reduce summer peak demand by a total of 21.94 MW, winter peak demand by 24.15 MW, and annual energy consumption by 36,860 MWh in the year 2000.

FPL's other proposed program modification would exclude small, non-demand metered C/I customers from further participation in the program. FPL found difficulty in including C/I buildings in a residential DSM program. Further, past program participation by small, non-demand metered C/I customers has been minimal at best. For the first six months of 1997, only 40 (0.115%) of the 34,673 program participants were small, non-demand metered C/I customers. While small, non-demand metered C/I customers would no longer be eligible for inclusion in this program, these customers are still eligible for duct sealing for rooftop package units in FPL's C/I Heating, Ventilating, and Air Conditioning Program.

The reduced customer incentive levels mentioned on the previous page appear to have restored the cost-effectiveness of the Duct System Testing and Repair Program, although only minimally under the RIM test. The following table compares the benefit-cost ratio over time since the current program was approved:

COST-EFFECTIVENESS TEST	BENEFIT-COST RATIO		
	Nov. 1995	Nov. 1996	May 1997 (as modified)
Rate Impact Measure (RIM)	1.22	0.82	1.02
Total Resource Cost (TRC)	1.51	1.00	1.51
Participants	1.88	1.80	2.42

We are concerned that the Duct System Testing and Repair Program only minimally passes the RIM test, even after modifications were made to restore the program's cost-effectiveness. DSM programs that marginally pass the RIM test provide no room for errors in forecasted demand and energy savings, or changes (reductions) in avoided generation costs. This is clearly the case with FPL's modified Duct System Testing and Repair Program. With a RIM value of 1.02, non-participants are at greater risk of subsidizing participants without receiving the capacity deferral benefit of cost-effective DSM programs. Because of this risk, FPL should reassess the cost-effectiveness of this program and submit the revised cost-effectiveness ratios in its annual ECCR true-up filing in Docket No. 980002-EG. This reassessment should include the most current assumptions available at the time the analysis is performed. If the program proves not to be cost-effective under the RIM test, FPL should petition to modify or terminate the program.

Subject to this condition, we approve FPL's petition to modify the Duct System Testing and Repair Program, including cost recovery through the ECCR clause. FPL should file program standards that clearly state its requirements for participation in the program, customer eligibility requirements, details on how rebates or incentives will be processed, technical specifications on equipment eligibility, and necessary reporting requirements. These program participation standards may be administratively approved by this Commission's staff if they conform to the description of the program contained in Florida Power & Light Company's petition.

ORDER NO. PSC-97-1480-FOF-EG
DOCKET NO. 970540-EG
PAGE 5

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power & Light Company's modifications to its Duct System Testing and Repair Program, as described in the body of this Order, are approved. It is further

ORDERED that Florida Power & Light Company shall reassess the cost-effectiveness of its Duct System Testing and Repair Program, as modified by this Order, and shall report, in its November 1998 true-up filing in Docket No. 980002-EG, the resulting cost-effectiveness ratios using the most current assumptions at the time the analysis is performed; if, at that time, the program is not cost-effective under the RIM test, Florida Power & Light Company shall petition to modify or terminate the program. It is further

ORDERED that Florida Power & Light Company shall report the results of its planned annual evaluations of the Duct System Testing and Repair Program to this Commission's staff. It is further

ORDERED that Florida Power & Light Company shall file program participation standards for its Duct System Testing and Repair Program within 30 days of the issuance of this Order; these program participation standards may be administratively approved. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that in the event this Order becomes final, this Docket shall be closed.

ORDER NO. PSC-97-1480-FOF-EG
DOCKET NO. 970540-EG
PAGE 6

By ORDER of the Florida Public Service Commission this 24th
day of November, 1997.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

WCK

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.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on December 15, 1997.

ORDER NO. PSC-97-1480-FOF-EG
DOCKET NO. 970540-EG
PAGE 7

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party substantially affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water 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 of the effective date 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.