

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Florida Power & Light Company for modification of Commercial/Industrial Heating, Ventilating and Air Conditioning Program.

DOCKET NO. 970545-EG
ORDER NO. PSC-97-1483-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 GRANTING PETITION FOR MODIFICATION OF COMMERCIAL/INDUSTRIAL
HEATING, VENTILATING AND AIR CONDITIONING 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's (FPL) Commercial/Industrial (C/I) Heating, Ventilating and Air Conditioning (HVAC) 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 C/I HVAC program is designed to reduce FPL's summer and winter coincident peak demand and energy attributable to C/I heating, ventilating, and air conditioning (HVAC) loads. This program provides incentives for the installation of high efficiency HVAC equipment in commercial and industrial buildings.

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

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REGISTRATION REPORTING

showed that the C/I HVAC program along with several other DSM programs failed the Rate Impact Measure (RIM) test. FPL stated that the requested analyses were not sufficient to assess 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. As a result of its analysis, on May 6, 1997, FPL filed a petition to modify its C/I HVAC program.

Because the C/I HVAC program is marginally cost-effective, FPL should reassess the cost-effectiveness of the program and report, in its true-up filing in Docket No. 980002-EG in November of 1998, the resulting cost-effectiveness ratios using the most current assumptions at the time the analysis is performed. FPL should also report to staff the results of its planned 1997 evaluation of thermal energy storage, and its planned 1999 evaluation of chillers for the C/I HVAC program. FPL should, through its survey efforts, determine the extent to which participants were aware of gas alternatives, the extent they considered gas alternatives, and if applicable what gas alternatives were available. FPL should also determine if participants were aware of a gas alternative, whether FPL's rebate caused in whole or in part the participant to remain an electric customer.

FPL proposes to modify the C/I HVAC program by taking the following actions: eliminate payment of additional incentives for cold air distribution; discontinue ventilation exhaust hoods as eligible equipment for program incentives; change incentive for thermal energy storage from not to exceed \$333 per summer kW reduced to not to exceed \$356 per summer kW reduced; and change incentive for duct seal of DX HVAC and heat pumps from not to exceed \$112 per summer kW reduced to not to exceed \$139 per summer kW reduced.

The cost-effectiveness of the C/I HVAC program has changed since we approved it in 1995. In November of 1996, FPL provided the cost-effectiveness results of its programs in response to a staff interrogatory in the Energy Conservation Cost Recovery (ECCR) docket (960002-EG). This response showed many of FPL's programs not to be cost-effective. FPL stated that it would reanalyze all of its programs and may modify those programs that are not cost-effective. FPL filed for modification of seven programs, and termination of two in May 1997.

FPL has also committed to evaluate program participants regarding natural gas substitution. The C/I HVAC program offers rebates on equipment with gas alternatives such as electric chillers. FPL should, through its survey efforts, determine the extent to which participants were aware of gas alternatives, the extent they considered gas alternatives, and if applicable what gas alternatives were available. FPL should also determine if participants were aware of a gas alternative, whether FPL's rebate caused in whole or in part the participant to remain an electric customer.

FPL's C/I customers have much more diverse electricity usage characteristics, as a group, than residential customers. A number of factors contribute to this effect including different business types, operating hours, level of usage (kW), time of usage, and duration of usage. There is more risk, therefore, in utilizing average demand and energy savings for C/I programs because of this effect. FPL now plans to turn more of its attention to the evaluation of C/I programs as shown in its evaluation plans for 1997-1999. For the C/I HVAC program, FPL intends to meter 13 thermal energy storage sites in 1997, and 10 chiller sites in 1999 to record the energy usage of the equipment of participating customers during every hour of the day. These efforts, along with surveys of program participants in 1997 and 1999 will assist FPL in verifying the projected savings of the program. FPL also plans to survey participants and non-participants to assess the effectiveness of program design, and program implementation. FPL should report to staff the results of its planned 1997 evaluation of thermal energy storage, and its planned 1999 evaluation of chillers for the C/I HVAC program.

Because the program as modified is marginally cost-effective under RIM (1.05), the program is susceptible to becoming not cost-effective if avoided costs drop slightly, or if assumed demand and energy savings are less than projected. Because of the risk to FPL's ratepayers of a marginally cost-effective program, FPL should reassess the cost-effectiveness of the program, and file the cost-effectiveness ratios with its true-up filing in Docket No. 980002-EG. The filing date will be in November 1998, a specific date will be set when the docket is opened. The reassessment should include the most current assumptions at the time the analysis is performed.

A reduction in avoided cost appears to be the primary reason for the decline in cost-effectiveness of FPL's programs. As modified the C/I HVAC program meets Commission requirements for

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cost-effectiveness. Marginally cost-effective programs, however, are more vulnerable to declining avoided cost, and overstated demand and energy savings assumptions. This puts ratepayers at greater risk of subsidizing participants without receiving the capacity deferral benefit of cost-effective programs. FPL should monitor and evaluate the C/I HVAC program as discussed above to insure continued cost-effectiveness.

Florida Power & Light Company shall file program participation standards within 30 days of the issuance of the order in this docket. These standards shall be administratively approved. FPL's program standards shall clearly state the Company's 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.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power & Light Company's Petition for Modification of Commercial/Industrial Heating, Ventilating and Air Conditioning Program is approved. It is further

ORDERED that Florida Power & Light Company file program participation standards within 30 days of the issuance of the order in this docket. These standards shall be administratively approved. It is further

ORDERED that Florida Power & Light Company shall reassess the cost-effectiveness of the program, and file the cost-effectiveness ratios with its true-up filing in Docket No. 980002-EG. The reassessment shall include the most current assumptions at the time the analysis is performed. It is further


ORDERED that FPL determine, through its survey efforts, the extent to which participants in the Commercial/Industrial Heating, Ventilating and Air Conditioning Program were aware of gas alternatives, the extent they considered gas alternatives, and if applicable what gas alternatives were available. It is further

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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.

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)

GAJ

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.

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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.

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.