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January 21, 1998

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: Adoption of Numeric Conservation Goals
by Tampa Electric Company; FPSC Docket No. 971007-EG

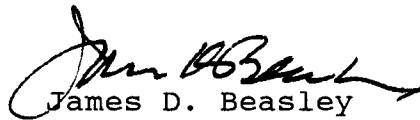
Dear Ms. Bayo:

Enclosed for filing in the above proceeding are the original and fifteen (15) copies of Tampa Electric Company's Post Workshop Comments. An earlier submission of these comments inadvertently reflected Docket No. 941173-EI. We would appreciate your substituting this filing in place of the one submitted earlier today.

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

- ACK _____
- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
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- OPC _____
- RCH _____
- SEC _____
- WAS _____
- JTH _____

JDB/pp
Enclosures

cc: All Parties of Record (w/enc.)

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FPSC BUREAU OF RECORDS

DOCUMENT NO.
01127-98
1-21-98

January 21, 1998

Tampa Electric Company Post-Workshop Comments

Docket No. 971007-EG

The following comments are submitted by Tampa Electric Company with regard to the DSM goals workshop conducted on January 7, 1998.

Tampa Electric Company strongly supports and feels optimistic toward achieving a streamlined process to be utilized in determining DSM goals covering the next five year planning period for investor owned utilities. We also believe the impetus for word goals created by the discussion questions and subsequent answers given at the first goals workshop on October 8, 1997 should not be diminished but instead become the foundation upon which Florida Power and Light's (FPL) Proposed Measure Process conceptually be examined.

Concerning FPL's proposal, it recognizes the value of the utility making a strong effort to identify a reasonable set of potential measures for inclusion to the evaluation process. Tampa Electric Company would encourage the set of measures to consist of the following:

1. those measures that are already included in the current DSM plan for each utility;
2. those measures that had a cost-effectiveness value of 1.0 or greater from the last goals evaluation process but were unable to be incorporated into a program; and
3. those measures being proposed by parties who have been granted intervention to the goals setting dockets. The requirement on those

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measures must include both the submission of Florida specific data for potential demand and energy savings in the State's three climate zones, and the evidence of being commercially available in the Florida marketplace.

The utility planning process in the area of DSM is dynamic and supports the need to include measures already contained in cost-effective programs. Additionally, these programs provide a strong historical perspective as to participation rates and thus the achievable potential for the measures they deliver to the market.

With declining values of avoided cost items such as generator capital cost, fixed and variable generator O&M, and transmission and distribution costs, it is appropriate to establish a cost-effectiveness threshold of 1.0 or greater in order to include those measures previously evaluated but not incorporated into programs during the last goals setting process. This threshold seems further supported by the fact that Florida utilities recently submitted interrogatories containing cost-effectiveness evaluations of their current DSM programs. The responses indicated benefit/cost ratios had declined to the point of necessitating modifications to several programs for the sole purpose of regaining a ratio of greater than 1.0. Furthermore, other programs were discontinued due to their cost-effectiveness no longer being attainable.

Absent from the three groups of measures identified above are behavioral and code measures. This is appropriate. Behavioral measures are dependent upon customer actions or initiatives being taken at specific times during their day to day

routines. Therefore, permanency in savings is lacking and quantifiable goal accomplishment is not achieved. Code measures should continue to be evaluated for inclusion to the Florida Energy Efficiency Code for Building Construction (the Code). The Code is administered by the Department of Community Affairs which regularly evaluate measures against a very stringent baseline for cost-effectiveness. Once a measure is included in the Code, it will then impact the entire State.

As previously mentioned, the utility DSM planning process is dynamic. On an annual basis each DSM program is subjected to a cost-effectiveness evaluation driven by changing supply side and demand side costs, demand and/or energy changes derived from ongoing monitoring and evaluating, and customer acceptance of program products and services. These factors point to the need for rule revision to accommodate the changing conditions.

Consider the following scenario. Both goals and programs are typically established through cost-effectiveness evaluations performed against the same avoided supply costs. However, the programs will be evaluated on an annual basis and the avoided costs used subsequent to the initial evaluations will rarely if ever remain constant. It is reasonable, then, to adjust goals in concert with the programs that were established to meet those goals when faced with program modifications and/or discontinuations due to changing avoided costs and the impact on cost-effectiveness. Simply stated, a dynamic program evaluation process coupled with a static goals creation process will cause a divergence between program accomplishments and goals achievement from the outset.

However, this highly probable situation can be eliminated through the adoption of word goals.

Rule revision would also allow the removal of specific goals for the residential and commercial and industrial segments. Although cost-effective programs are generally developed in both segments, the utilities should be able to prioritize their emphasis toward those programs that have the higher cost-effectiveness ratios with the greater possibilities of participation regardless of the segment. Therefore, overall company goals would be more appropriate.

Finally, cost-effectiveness should be defined in the rule as those evaluations that pass all three cost-effectiveness tests outlined in Rule 25-17.008, namely, the Rate Impact Measure (RIM) Test, the Total Resource Cost (TRC) Test, and the Participants' Test. By adopting this policy, a "no losers" concept will be in place.

Procedurally, Tampa Electric Company urges the following modifications to the previous goals setting process:

1. establish only a portfolio of measures that pass all three cost-effectiveness tests;
2. eliminate the rate impact calculation of the overall portfolio;
3. with natural gas R&D still underway from the last proceeding, eliminate the evaluation of natural gas substitution;
4. allow code and behavioral measures to be treated as previously mentioned above; and
5. allow renewables to be handled through ongoing R&D as they are developed and become commercially available.

Tampa Electric Company offers these comments relative to the last workshop and is looking forward to a cooperative effort among all parties as we endeavor to place effective DSM into the Florida marketplace.