

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Adoption of Numeric Conservation Goals by Florida Power & Light Company.

DOCKET NO. 971004-EG

In re: Adoption of Numeric Conservation Goals by Florida Power Corporation.

DOCKET NO. 971005-EG

In re: Adoption of Numeric Conservation Goals by Gulf Power Company.

DOCKET NO. 971006-EG

In re: Adoption of Numeric Conservation Goals by Tampa Electric Company.

DOCKET NO. 971007-EG

FILED: AUGUST 9, 1999

STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-98-0384-PCO-EG, issued March 10, 1998; Order No. PSC-98-0384A-PCO-EG, issued April 14, 1999; and Order No. PSC-99-1361-PCO-EG, issued July 15, 1999, the Staff of the Florida Public Service Commission files its Prehearing Statement.

a. All Known Witnesses

None.

b. All Known Exhibits

None.

c. Staff's Statement of Basic Position

Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein.

AFA
APP
CAF
CMU
CTR
EAG
LEG
MAS
OPC
RPR
SEC
YAW
OTH

DOCUMENT NUMBER-DATE

09468 AUG-99

7700-RECORDS/REPORTING

STAFF'S PREHEARING STATEMENT

DOCKETS NOS. 971004-EG, 971005-EG, 971006-EG, 971007-EG

PAGE 2

In 1994, after lengthy hearings, the Commission established numeric goals for the IOUs based on DSM measures which passed the Rate Impact Measure (RIM) test. Intervenors to the prior goals dockets, LEAF and the Department of Community Affairs (DCA), argued that DSM measures which passed the Total Resource Cost (TRC) test alone but fail RIM should be used to establish goals. The Commission found in Order No. PSC-94-1313-FOF-EG, issued October 25, 1994, that:

. . . goals based on measures that pass TRC but not RIM would result in increased rates and would cause customers who do not participate in a utility DSM measure to subsidize customers who do participate. Since the record reflects that the benefits of adopting a TRC goal are minimal, we do not believe that increasing rates, even slightly, is justified.

Order No. PSC-94-1313-FOF-EG also stated the Commission's decision regarding penalties for those utilities who fail to achieve their DSM goals:

Any utility that does not achieve its goal shall be either penalized or have programs prescribed to it in a manner to be determined by this Commission on a case-by-case basis.

The numeric residential and commercial/industrial goals proposed in the instant dockets by FPL, FPC, Gulf, and TECO are reasonable and should be approved by the Commission. The utilities have appropriately used the RIM test to determine the cost-effective level of achievable DSM. The Commission's RIM policy should be continued by approving the RIM-based numeric goals as proposed by the IOUs in the instant dockets.

Overall, the level of each utility's demand and energy goals is lower than the goals approved by the Commission in 1994. The primary reason for decreased numeric goals is that the cost of new generating units has dropped substantially in the last five years. Without a corresponding decrease in the cost of delivering DSM, the result is that fewer DSM programs are cost-effective. In addition, some existing DSM programs are approaching saturation levels. This has reduced the market potential of some DSM measures.

For the same reasons noted above, the utilities have failed to meet some of the existing numeric goals set in 1994. Utilities had

STAFF'S PREHEARING STATEMENT

DOCKETS NOS. 971004-EG, 971005-EG, 971006-EG, 971007-EG

PAGE 3

to modify existing DSM programs, primarily by reducing rebates and incentives to customers, to keep them cost-effective. This resulted in less than forecasted participation in utility DSM programs. Staff does not recommend the Commission penalize a utility for not achieving its 1994 DSM goals. In addition, the threat of a penalty may give a perverse incentive to utilities to pursue DSM that is not cost-effective solely for the sake of achieving their numeric goals. The savings of most DSM measures, with the exception of load management or any other utility controlled measure, are estimated using engineering models. Measuring actual savings is a costly, time consuming exercise which the IOUs attempt on a limited basis. This exercise, however, is not completely precise. Threatening to penalize a utility for not meeting goals based on estimated DSM measure savings is not appropriate.

Rule 25-17.0021(5), Florida Administrative Code, provides for the filing of an annual report detailing the utilities' goal achievement efforts. In this report, utilities are required under the rule to justify variances in excess of 15% of a utility's annual goals.

A. FPL's Evaluation of DSM Measures

FPL's evaluation of DSM measures is reasonable for purposes of establishing numeric goals. FPL evaluated approximately 230 DSM measures for this docket. This list consisted primarily of measures evaluated during the last goals docket. A multi-step evaluation process, including tests for cost-effectiveness, were then performed. Those measures with a RIM and Participant test ratio greater than 1.0 were used to develop the savings potential. FPL's evaluation was performed pursuant to the requirements of Rule 25-17.0021(3), Florida Administrative Code. All potential DSM measures were evaluated against a base case, supply-side only expansion plan. As a result of FPL's analysis, the savings from 47 DSM measures were summed to arrive at the proposed numeric goals.

B. FPC's Evaluation of DSM Measures

FPC's evaluation of DSM measures is reasonable for purposes of establishing numeric goals. FPC evaluated approximately 120 DSM measures, consisting essentially of the list of measures evaluated in the last goals docket. FPC's evaluation considered the issues and end-use categories specified in Rule 25-17.0021(3), Florida Administrative Code. All potential DSM measures were evaluated

against a base case, supply-side only expansion plan for cost-effectiveness using the RIM, TRC, and Participant tests. From this analysis, ten residential and twelve commercial/industrial DSM measures were found to be cost-effective. The seasonal demand and annual energy savings associated with these cost-effective measures were summed by market segment to arrive at FPC's proposed goals.

C. Gulf's Evaluation of DSM Measures

Gulf's evaluation of DSM measures is reasonable for purposes of establishing numeric goals. Gulf evaluated approximately 120 DSM measures for this docket. These evaluated measures consist of the same measures Gulf evaluated in the last goals docket, along with new measures suggested by parties for which Florida-specific data was available. Gulf updated the financial assumptions and the estimated demand and energy savings for these measures where more recent data was available. All potential DSM measures were evaluated alongside supply-side measures in an integrated resource plan (IRP) that minimized total cost. For each of the five residential and six commercial/ industrial DSM measures included in Gulf's IRP, the seasonal demand and annual energy savings were added to arrive at Gulf's proposed goals.

D. TECO'S Evaluation of DSM Measures

TECO's evaluation of DSM measures is reasonable for the establishing numeric goals. TECO evaluated approximately 267 DSM measures which were determined to be potential utility programs in the last goals docket, measures for which it currently offers programs, measures which were designated in the last goals docket as having potential for inclusion in the building code, and measures suggested by parties for which Florida-specific data was available. These measures were then analyzed for cost-effectiveness, and those passing the RIM, TRC, and Participant tests were used in determining TECO's proposed numeric goals. TECO's evaluation was performed pursuant to the requirements of Rule 25-17.0021(3), Florida Administrative Code.

E. Treatment of Non-Firm Capacity

The treatment of non-firm capacity is an issue in Docket No. 981890-EU, an open docket investigating Peninsular Florida's reserve margins. If the Commission adjusts the amount of allowable non-firm resources for each utility as a result of a decision in

the reserve margin docket, a corresponding adjustment in the affected utility's numeric goals should also be made.

d. Staff's Position on the Issues

Florida Power and Light Company - 971004-EG

Issue 1: What should be FPL's residential winter demand, summer demand, and annual energy conservation goals for the period 2000-2009?

Position: The cumulative numeric goals should be:

Year	Summer MW	Winter MW	Annual gWh
2000	75.5	91.6	91.9
2001	126.5	139.0	178.3
2002	169.4	170.0	267.1
2003	212.8	200.4	357.3
2004	256.6	230.1	448.9
2005	302.0	260.6	544.2
2006	347.0	289.0	640.9
2007	392.6	317.2	739.3
2008	439.4	345.7	840.3
2009	485.9	372.4	943.2

Issue 2: What should be FPL's commercial/industrial winter demand, summer demand, and annual energy conservation goals for the period 2000-2009?

Position: The cumulative numeric goals should be:

Year	Summer MW	Winter MW	Annual gWh
2000	46.2	20.5	68.5
2001	73.3	32.2	97.6
2002	99.6	44.1	126.4
2003	126.6	56.8	157.1
2004	153.8	70.1	188.8
2005	181.6	84.2	222.6
2006	207.2	97.1	254.9
2007	232.4	109.8	285.7
2008	257.2	122.2	315.3
2009	278.8	133.0	343.4

Florida Power Corporation - 971005-EG

Issue 3: What should be FPC's residential winter demand, summer demand, and annual energy conservation goals for the period 2000-2009?

Position: The cumulative numeric goals should be:

Year	Summer MW	Winter MW	Annual gWh
2000	10	30	15
2001	20	64	32
2002	32	102	50
2003	45	142	69
2004	58	185	88
2005	72	229	108
2006	85	271	127
2007	99	312	147
2008	112	352	166
2009	125	389	185

Issue 4: What should be FPC's commercial/industrial winter demand, summer demand, and annual energy conservation goals for the period 2000-2009?

Position: The cumulative numeric goals should be:

Year	Summer MW	Winter MW	Annual gWh
2000	4	4	2
2001	8	7	4
2002	11	11	6
2003	15	15	8
2004	19	18	10
2005	23	22	12
2006	26	26	13
2007	30	30	15
2008	34	33	17
2009	38	37	19

Gulf Power Company - 971006-EG

Issue 5: What should be Gulf's residential winter demand, summer demand, and annual energy conservation goals for the period 2000-2009?

Position: The cumulative numeric goals should be:

Year	Summer MW	Winter MW	Annual gWh
2000	22.3	26.0	16.7
2001	43.1	50.0	31.8
2002	67.9	78.7	49.8
2003	89.0	103.2	65.2
2004	107.5	124.6	78.9
2005	123.2	142.9	90.8
2006	135.1	156.6	99.9
2007	147.0	170.4	109.0
2008	155.0	179.6	115.4
2009	163.0	188.9	121.9

STAFF'S PREHEARING STATEMENT

DOCKETS NOS. 971004-EG, 971005-EG, 971006-EG, 971007-EG

PAGE 10

Issue 6: What should be Gulf's commercial/industrial winter demand, summer demand, and annual energy conservation goals for the period 2000-2009?

Position: The cumulative numeric goals should be:

Year	Summer MW	Winter MW	Annual gWh
2000	46.0	36.1	2.1
2001	47.4	37.3	4.2
2002	48.7	38.4	6.2
2003	50.0	39.6	8.3
2004	51.4	40.7	10.4
2005	52.7	41.8	12.5
2006	54.0	43.0	14.5
2007	55.3	44.1	16.6
2008	56.7	45.3	18.7
2009	58.0	46.4	20.8

Tampa Electric Company - 971007-EG

Issue 7: What should be TECO's residential winter demand, summer demand, and annual energy conservation goals for the period 2000-2009?

Position: The cumulative numeric goals should be:

Year	Summer MW	Winter MW	Annual gWh
2000	5.8	16.7	10.3
2001	11.1	32.2	20.0
2002	16.1	46.3	29.0
2003	20.7	59.2	37.5
2004	25.0	70.7	45.3
2005	28.8	81.0	52.5
2006	32.2	90.0	59.1
2007	35.3	97.7	65.1
2008	38.0	104.1	70.5
2009	40.3	109.1	75.3

Issue 8: What should be TECO's commercial/industrial winter demand, summer demand, and annual energy conservation goals for the period 2000-2009?

Position: The cumulative numeric goals should be:

Year	Summer MW	Winter MW	Annual gWh
2000	3.5	1.5	12.9
2001	6.9	3.0	25.7
2002	10.4	4.5	38.6
2003	13.5	5.9	50.3
2004	16.7	7.3	61.9
2005	19.9	8.7	73.6
2006	22.8	10.0	84.1
2007	25.8	11.3	94.5
2008	28.4	12.4	104.9
2009	30.8	13.4	114.1

e. Pending Motions

None.

f. Pending Confidentiality Claims or Requests

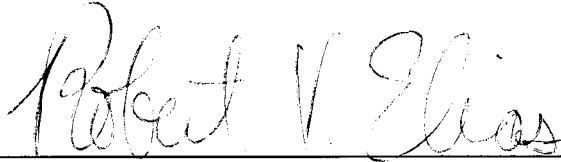
None.

g. Compliance with Order Nos. PSC-98-0384-PCO-EG, PSC-98-0384A-PCO-EG, and PSC-99-1361-PCO-EG

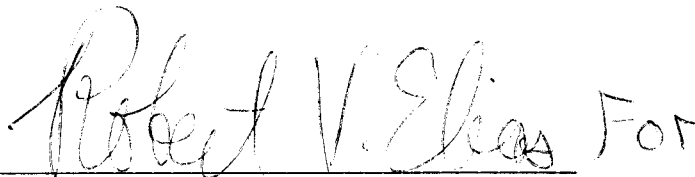
Staff has complied with all requirements of the Orders Establishing and Revising Procedure entered in this docket.

STAFF'S PREHEARING STATEMENT
DOCKETS NOS. 971004-EG, 971005-EG, 971006-EG, 971007-EG
PAGE 13

Respectfully submitted this 9th day of August, 1999.



ROBERT V. ELIAS
Staff Counsel
Florida Bar No. 0530107



LESLIE J. PAUGH
Staff Counsel
Florida Bar No. 0613568

FLORIDA PUBLIC SERVICE COMMISSION
2540 Shumard Oak Boulevard
Gerald L. Gunter Building - Room 370
Tallahassee, Florida 32399-0863
(850)413-6199

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Adoption of Numeric
Conservation Goals by Florida
Power & Light Company.

DOCKET NO. 971004-EG

In re: Adoption of Numeric
Conservation Goals by Florida
Power Corporation.

DOCKET NO. 971005-EG

In re: Adoption of Numeric
Conservation Goals by Gulf Power
Company.

DOCKET NO. 971006-EG

In re: Adoption of Numeric
Conservation Goals by Tampa
Electric Company.

DOCKET NO. 971007-EG

FILED: AUGUST 9, 1999

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that one true and correct copy of Staff's Prehearing Statement has been furnished by U. S. Mail this 9th day of August, 1999, to the following:

Resource Insight, Inc.
Susan Geller
347 Broadway
Cambridge, MA 02139

McWhirter Reeves McGlothlin
John W. McWhirter
P.O. Box 3350
Tampa, FL 33601

Legal Environmental Assistance
Foundation
Debra Swim
1114 Thomasville Road, Suite E
Tallahassee, FL 32303

McWhirter Reeves McGlothlin
Vicki Gordon Kaufman
117 S. Gadsden Street
Tallahassee, FL 32301

Ausley & McMullen
James Beasley
P.O. Box 391
Tallahassee, FL 32302

Beggs & Lane
Jeffrey Stone
P.O. Box 12950
Pensacola, FL 32576

CERTIFICATE OF SERVICE

DOCKET NOS. 971004-EG, 971005-EG, 971006-EG, 971005-EG

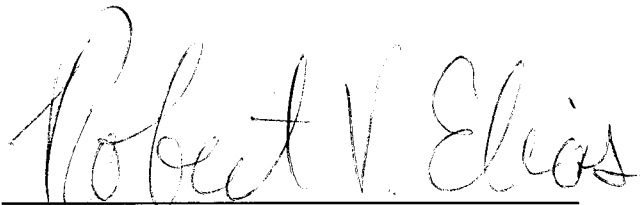
PAGE 2

Florida Power Corporation
James McGee
P.O. Box 14042
St. Petersburg, FL 33733


Executive Office of the
Governor
Office of Planning and Budget
Stuart Pollins
The Capitol, Room 1501
Tallahassee, FL 32399

Steel Hector & Davis
Charles Guyton
215 S. Monroe St., Suite 601
Tallahassee, FL 32301

Department of Community
Affairs
Legal Division
2555 Shumard Oak Boulevard
Tallahassee, FL 32399



ROBERT V. ELIAS
Staff Counsel
Florida Bar No. 0530107



LESLIE J. PAUGH
Staff Counsel
Florida Bar No. 0613568

FLORIDA PUBLIC SERVICE COMMISSION
2540 Shumard Oak Boulevard
Gerald L. Gunter Building, Room 370
Tallahassee, Florida 32399-0850
(850) 413-6199