

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for approval of numeric
conservation goals by Gulf Power Company.

DOCKET NO. 040032-EG
ORDER NO. PSC-05-0273-PAA-EG
ISSUED: March 14, 2005

The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman
J. TERRY DEASON
RUDOLPH "RUDY" BRADLEY
CHARLES M. DAVIDSON
LISA POLAK EDGAR

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING GULF POWER COMPANY'S
DEMAND-SIDE MANAGEMENT PLAN

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.

Case Background

The Florida Energy Efficiency and Conservation Act (FEECA), specifically Section 366.82, Florida Statutes, requires the Commission to adopt goals to reduce and control the growth rates of electric consumption and weather sensitive peak demand. In Order No. PSC-04-0764-PAA-EG, issued August 9, 2004, the Commission set numeric conservation goals for Gulf Power Company (Gulf) for the period 2005 through 2014.

Rule 25-17.0021(4), Florida Administrative Code, requires that within 90 days of a final order establishing goals, each utility shall submit a demand-side management (DSM) plan designed to meet the utility's goals. Gulf timely filed its proposed DSM Plan on December 1, 2004. Gulf included program standards for the programs in its proposed DSM Plan. On January 25, 2005, Gulf filed a modification to its DSM Plan. Gulf requested approval of its DSM Plan, as modified on January 25, 2005, including approval for cost recovery.

This Order addresses Gulf's petition for approval of its 2005 DSM Plan. We have jurisdiction over this matter pursuant to Sections 366.81 and 366.82, Florida Statutes.

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Gulf's DSM Plan

Gulf's proposed DSM Plan contains 13 programs, including six residential programs, five commercial/industrial (C/I) programs, one research and development program and a renewable energy program. Gulf proposes to continue all existing programs, with modifications to five programs. Gulf also proposes one new program, the Commercial Geothermal Heat Pump Program. A summary of each of these programs is included in Attachment A to this Order.

In Order No. 22176, issued November 14, 1989, in Docket No. 890737-PU, In re: Implementation of Sections 366.80 through 366.85, Florida Statutes, Conservation Activities of Electric and Natural Gas Utilities, we stated that conservation programs will be evaluated using the following criteria:

- Whether the program advances the policy objectives of Rule 25-17.001, Florida Administrative Code, and Sections 366.80 through 366.85, Florida Statutes, also known as the "Florida Energy Efficiency and Conservation Act" (FEECA);
- Whether the program is directly monitorable and yields measurable results; and,
- Whether the program is cost-effective.

Gulf has proposed modifications to three of its existing residential programs. Gulf plans to increase the efficiency requirements under the GoodCents Home Program in 2006 to correspond with an update in the Florida Model Energy Code. In addition, Gulf has combined several energy audit programs into the Residential Energy Survey Program, in order to increase administrative efficiency, and added an on-line energy audit option. Finally, Gulf has proposed a change in the incentive structure of the Residential Geothermal Heat Pump Program. The program currently offers a \$250 rebate for systems installed in multi-family dwellings, and a guaranteed level of heating and cooling costs for single family homes. Gulf proposes to simplify the incentive structure by providing a \$150 per ton incentive for the installation of qualifying geothermal HVAC systems to single- or multi-family dwellings. Single-family systems above 10 tons and multi-family systems above 50 tons will be subject to incentives based on a cost-effectiveness analysis.

Gulf has proposed modifications to two of its existing C/I programs. Gulf will increase the efficiency requirements under the GoodCents Commercial Buildings Program in 2006 to reflect an update in the Florida Model Energy Code. As in its residential energy audit program, Gulf has combined several C/I energy audit programs into the C/I Energy Analysis Program and added an on-line audit option.

Gulf has proposed one new program in its DSM Plan. The Commercial Geothermal Heat Pump Program will promote the installation of specified geothermal HVAC systems in commercial buildings. Gulf will provide participating customers with information on the potential energy savings associated with geothermal HVAC systems. The program will also include a \$150 per ton incentive for commercial full closed loop geothermal HVAC projects, or \$75 per ton for hybrid closed loop projects.

In its petition to reset goals, Gulf did not include an analysis of the potential demand and energy savings associated with its energy audit programs. Therefore, Gulf's goals, as approved in Order No. PSC-04-0764-PAA-EG, issued August 9, 2004, were set at a level which did not include savings from energy audit programs; however, Gulf's DSM Plan, filed on December 1, 2004, counted the estimated demand and energy savings from Gulf's energy audit programs toward meeting Gulf's goals. We believe it is inappropriate to count savings from audit programs towards goals unless the goals are set at a level which includes the potential savings from audit programs. In response to this concern, on January 25, 2005, Gulf filed a revised DSM Plan in which Gulf does not apply savings from its energy audit programs towards meeting its goals.

When Gulf excluded the savings from its energy audit programs, Gulf's DSM Plan did not appear to provide sufficient summer energy and demand savings to meet Gulf's goals. Accordingly, Gulf filed revised participation estimates for three existing programs on January 25, 2005. Gulf increased its expected participation in the Residential GoodCents Home/Energy Star and Residential Geothermal Programs due to increased home construction resulting from the impacts of Hurricane Ivan. Gulf also increased the expected participation in the C/I Real Time Pricing Program after discussions with field representatives with specific knowledge of customers who plan to participate. We believe Gulf's revised DSM Plan is based on reasonable assumptions and it appears to meet Gulf's goals.

In conclusion, we have reviewed Gulf's proposed DSM Plan, as revised on January 25, 2005, and find that it meets our three-pronged test, as described in Order No. 22176, and is hereby approved. The resulting demand and energy savings also appear to meet Gulf's newly set goals, as approved in Order No. PSC-04-0763-PAA-EG, issued August 9, 2004, in the instant docket. The DSM programs which Gulf counts toward its goals appear to be directly monitorable. Gulf's research and development program expenditures for the Conservation Demonstration and Development Program shall be capped at the existing level of \$250,000 annually, as proposed in Gulf's DSM Plan.

Gulf included program standards in its December 31, 2005 DSM Plan filing; however, we believe these standards do not contain sufficient detail. Gulf has agreed to work with Commission staff to provide revised participation standards. Gulf shall file revised program participation standards within 30 days of the issuance of this Order. Gulf's program standards shall clearly state the requirements for participation in the programs, customer eligibility requirements, details on how rebates or incentives will be processed, technical specifications on equipment eligibility, and necessary reporting requirements. These standards shall be administratively approved by Commission staff if they conform to the description of the programs outlined in Gulf's approved DSM Plan.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Gulf Power Company's Demand-Side Management Plan, summarized in Attachment A to this Order, and incorporated by reference herein, is hereby approved as set forth in the body of this Order. It is further

ORDERED that Gulf Power Company shall file revised program participation standards within 30 days of the issuance of this Order. The revised program participation standards shall be approved administratively if they conform to the description of the programs outlined in Gulf's approved DSM Plan. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" 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 14th day of March, 2005.

BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records

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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 that is available under Section 120.57, 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 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. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on April 4, 2005.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

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

ATTACHMENT A

RESIDENTIAL PROGRAMS:

1. *GoodCents Select Program:* Real-time pricing program which includes an interactive energy management system. This system allows customers to program their HVAC system, electric water heater and pool pump to automatically respond to varying prices of electricity depending on the time of day, day of week and season. Each participating customer pays a fee of \$4.95 per month. Gulf has proposed no changes to this program.
2. *GoodCents Home/Energy Star Program:* Encourages the design and construction of energy efficient homes by providing information to builders on energy efficiency and offering a rating system. If a builder constructs a home to a specified level of efficiency, which is beyond the requirements of the Florida Model Energy Code, Gulf will certify the home as a GoodCents Home. In addition, Gulf signed an agreement with the Environmental Protection Agency in 2004 to participate in its Energy Star Program as an Energy Efficiency Program Sponsor, providing Gulf with the ability to offer ratings under the Energy Star Program. Gulf plans to increase the efficiency requirements under the GoodCents Home Program in 2006 to correspond with an update in the Florida Model Energy Code requirements. Gulf will not recover any expenses related to this program through the ECCR clause.
3. *Residential Geothermal Heat Pump Program:* This program offers customers an incentive to install geothermal HVAC systems. Gulf has proposed a change in the incentive structure of the program. The program currently offers a \$250 rebate for systems installed in multi-family dwellings, and a guaranteed level of heating and cooling costs for single-family homes. Gulf proposes to simplify the incentive structure by providing a \$150 per ton incentive for the installation of qualifying geothermal HVAC systems to single- or multi-family dwellings. Single-family systems above 10 tons and multi-family systems above 50 tons are subject to incentives based on a cost-effectiveness analysis.
4. *Residential Energy Survey Program:* Energy audit program for new and existing homes which offers an on-site energy survey of the home, as well as a mail-in audit option. Gulf has combined several residential energy survey programs into this umbrella program, and added an on-line energy survey option to the program.
5. *Low-Income Energy Education Program:* Program designed to assist low-income customers in managing energy costs by providing basic energy education, information on available utility-sponsored conservation programs, and information on low- or no-cost energy conservation measures. Gulf has proposed no changes to this program.
6. *Affordable Housing Builders and Providers Program:* In this program, Gulf encourages affordable housing builders to attend education seminars on energy-efficient construction, retrofit programs, and financing programs, and to participate in the GoodCents Home Program. Gulf has proposed no substantive changes to this program.

ATTACHMENT A

RESIDENTIAL DEMAND-SIDE MANAGEMENT PROGRAMS

| DSM PROGRAM | Summer Peak Demand | | Winter Peak Demand | | Annual Energy Consumption | | Benefit / Cost Ratio (RIM) |
|----------------------------------|--------------------|---------------|--------------------|---------------|---------------------------|---------------|----------------------------|
| | Savings (MW) | % of Goal | Savings (MW) | % of Goal | Savings (GWh) | % of Goal | |
| GoodCents Select | 51.90 | 91.2% | 66.00 | 95.1% | 22.86 | 82.2% | 1.02 |
| GoodCents Home/Energy Star | 3.63 | 6.4% | 10.64 | 15.3% | 14.96 | 53.8% | N/A |
| Residential Geothermal Heat Pump | 2.60 | 4.5% | 1.93 | 2.8% | 2.77 | 10.0% | 1.03 |
| Energy Survey | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Low-Income Energy Education | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Affordable Housing Builders | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| TOTAL SAVINGS | 58.1 | 102.2% | 78.6 | 113.2% | 40.6 | 146.0% | |
| GOAL | 56.9 | | 69.4 | | 27.8 | | |

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COMMERCIAL/INDUSTRIAL PROGRAMS:

1. *GoodCents Commercial Buildings Program:* This existing program promotes the construction of commercial buildings and retrofit of existing commercial buildings with energy efficiency levels above the Florida Model Energy Code standards. The program provides GoodCents certifications to buildings which meet specified standards for HVAC efficiency and thermal envelope requirements which are above code. Gulf plans to increase the efficiency requirements of the program in 2006 to reflect an update in the Florida Model Energy Code requirements.
2. *Commercial Geothermal Heat Pump Program:* This is a new program which promotes the installation of specified geothermal HVAC systems in commercial buildings. Gulf will provide participating customers with information on potential energy savings, and a \$150 per ton incentive for commercial full closed loop geothermal HVAC projects, or \$75 per ton for hybrid closed loop projects.
3. *Commercial/Industrial Energy Analysis Program:* This is a C/I energy audit program designed to identify potential energy saving measures for C/I customers. Customer options include a basic Energy Analysis Audit performed with an on-site survey or mail-in survey, or a more detailed Technical Assistance Audit. Gulf has combined several C/I energy survey programs into this umbrella program to increase administrative efficiency, and deleted the Tier 2 Commercial Energy Analysis. Gulf also plans to add an on-line option.
4. *Real Time Pricing Program:* This program provides large C/I customers with hourly energy prices. The program is limited to customers with an annual peak demand of not less than 2,000 kW. Participating customers must sign a one-year contract. Gulf has proposed no changes to this program.
5. *Energy Services Program:* This is a catch-all program for cost-effective C/I efficiency measures which are not included in other Gulf programs. Efficiency measures are identified under Gulf's Energy Analysis Program, and customized energy services are offered on a project-specific basis. Projects must have a payback period of greater than two years. Participation is limited to customers with a minimum peak demand of 20 kW. Gulf has proposed no changes to this program.

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COMMERCIAL/INDUSTRIAL DEMAND-SIDE MANAGEMENT PROGRAMS

| DSM PROGRAM | Summer Peak Demand | | Winter Peak Demand | | Annual Energy Consumption | | Benefit / Cost Ratio (RIM) |
|---------------------------------|--------------------|---------------|--------------------|--|---------------------------|---------------|----------------------------|
| | Savings (MW) | % of Goal | (MW) | | Savings (GWh) | % of Goal | |
| GoodCents Commercial Buildings | 7.81 | 27.7% | 2.23 | | 22.32 | 96.2% | 1.13 |
| Commercial Geothermal Heat Pump | 1.12 | 4.0% | 1.45 | | 2.41 | 10.4% | 1.44 |
| C/I Energy Analysis | N/A | N/A | N/A | | N/A | N/A | N/A |
| Real Time Pricing | 20.00 | 70.9% | 10.00 | | 0 | 0% | 1.39 |
| Energy Services | 2.75 | 9.8% | 5.10 | | 11.79 | 50.8% | N/A |
| TOTAL SAVINGS | 31.7 | 112.3% | 18.8 | | 36.5 | 157.4% | |
| GOAL | 28.2 | | 12.6 | | 23.2 | | |

RESEARCH AND DEVELOPMENT:

Conservation Demonstration and Development: Under this existing program, Gulf plans to “pursue research, development, and demonstration projects designed to promote energy efficiency and conservation.” Gulf will notify the Commission of projects with expenditures in excess of \$25,000, and has proposed to maintain the existing limit on annual spending of \$250,000. Gulf has proposed no changes to this program.

RENEWABLE ENERGY INITIATIVES:

Renewable Energy Program: Gulf’s Renewable Energy Program contains several existing voluntary renewable options for customers, including the Photovoltaic Optional Rate Rider and the Solar for Schools Program. Gulf also plans to study the feasibility of additional renewable initiatives under the program.

- Solar for Schools: This existing program seeks to increase awareness of renewable and other energy issues by providing solar education and demonstration projects at local educational facilities. Program materials are

ATTACHMENT A

funded by voluntary contributions. Administrative costs are recovered through the ECCR clause.

- Photovoltaic Optional Rate Rider: Gulf offers an option for its customers to fund 100-watt blocks of photovoltaic energy. Participating customers pay an additional \$6.00 per block of renewable energy per month. Prior to building photovoltaic facilities or purchasing solar energy, the program requires that sufficient customer commitments be obtained from all of Southern Company's participating sister utilities. Gulf has not received sufficient customer commitments at this time, and therefore has not begun charging committed customers.