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Sent: Monday, September 19, 2005 4:45 PM
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Subject: Electronic Filing for Docket Nos. 040660-EG/040029-EG Florida Power & Light Company's Prehearing Statement

Attachments: FPL Prehearing Statement.9.19.05.doc

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Electronic Filing

a. Person responsible for this electronic filing:

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b. Docket Nos. 040660-EG and 040029-EG

In re: Petition for approval of modifications to BuildSmart Program by Florida Power & Light Company In re: Petition for approval of numeric conservation goals by Florida Power & Light Company

c. Document being filed on behalf of Florida Power & Light Company.

d. There are a total of 9 pages.

e. The document attached for electronic filing is Florida Power & Light Company's Prehearing Statement

(See attached file: FPL Prehearing Statement.9.19.05.doc)

Thank you for your attention and cooperation to this request.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of modifications to BuildSmart Program by Florida Power & Light Company

) Docket No. 040660-EG

In re: Petition for approval of numeric conservation goals by Florida Power & Light Company

) Docket No. 040029-EG

) Filed: September 19, 2005

FLORIDA POWER & LIGHT COMPANY'S PREHEARING STATEMENT

Florida Power & Light Company ("FPL" or the "Company"), pursuant to Order Consolidating Dockets No. PSC-05-0720-PCO-EG and Order No. PSC-05-0535-PCO-EG, files with the Florida Public Service Commission (the "PSC" or the "Commission"), its Prehearing Statement in connection with its petition for approval of numeric conservation goals, and states:

I. FPL WITNESSES

Witnesses

Subject Matter

Daniel J. Haywood (Direct)

(Direct) Describes the BuildSmart Program ("BuildSmart" or the "Program") and Program objectives; addresses the need for Program modification; describes the target audiences for BuildSmart; discusses the proposed Program modifications; discusses how the proposed modified BuildSmart Program will interact with the ENERGY STAR® Program and the Florida Green Building Coalition's green building standards; discusses administration and promotion of the BuildSmart Program; describes how the energy and demand impacts for the revised BuildSmart Program were developed and the assumptions used; addresses how the participation estimates for the Program were developed and presents the projected

participation and savings in the redesigned Program; presents the estimated participant costs for the Program and describes how such costs were derived; presents the expected Program administrative costs and describes how such costs were derived; describes how the Program is monitorable and yields measurable results; describes the Residential Conservation Service (“RCS”) Program and how it complies with applicable Commission rules.

Steven R. Sim
(Direct, Rebuttal)

(Direct) Provides an overview of key aspects of FPL’s Demand Side Management (“DSM”) Goals work and a summary of the cost-effectiveness evaluations carried out as part of this work; presents the cost-effectiveness results for the redesigned BuildSmart Program for analyses conducted during individual DSM option screening; (Rebuttal) Rebutts assertions that a new cost-effectiveness test should be approved in this proceeding; addresses the substantive flaws in the approach to judging DSM cost-effectiveness proposed by Petitioners

Daniel J. Haywood
(Rebuttal)

Addresses the flaws with the Petitioners’ cost-effectiveness observations and analyses; rebuts the Petitioners’ assertions addressing the relative cost-effectiveness of private rater services as compared to BuildSmart; rebuts the Petitioners’ allegations that the Program violates state standards, Commission rules and FPL tariff schedules; responds to Petitioners’ assertions that additional criteria should be considered in evaluating the energy efficiency of conservation programs; rebuts Petitioners’ assertions that the authority to administer the BuildSmart Program should be delegated to a third party; responds to assertions that FPL’s methodology for duct testing is inappropriate for the Program; responds to the assertion that the question of lost business due to the BuildSmart

Program is relevant to the Commission's decision; rebuts Petitioners' assertion that the Program grants undue and/or unreasonable preferences to certain persons contrary to Florida Statutes.

II. EXHIBITS

Exhibit	Description	Sponsoring Witness
DJH-1	Table 1: Homebuyer and Homebuilder Key Needs	Daniel J. Haywood
DJH-2	Table 2: Summary Comparison of Program Components and Features	Daniel J. Haywood
DJH-3	Table 3: Projected Demand and Energy Savings	Daniel J. Haywood
DJH-4	Table 4: Projected Participation (RCS Program)	Daniel J. Haywood
SRS-1	Cost-Effectiveness Analysis of FPL's Residential New Construction DSM Option (BuildSmart®)	Steven R. Sim

In addition to the above pre-filed exhibits, FPL reserves the right to utilize any exhibit introduced by any other party. FPL additionally reserves the right to introduce any additional exhibit necessary for rebuttal, cross-examination or impeachment at the final hearing.

III. STATEMENT OF BASIC POSITION

FPL's modified BuildSmart Program, which targets energy efficiency measures in new residential construction, should be approved as part of FPL's Demand-Side Management plan designed to meet FPL's Commission-approved goals for the period 2005-2014. In addition, the Residential Conservation Service Program should be continued as an integral part of FPL's Demand-Side Management Plan.

As modified, BuildSmart will be available to all new, residential single-family homes, whether detached or attached, in FPL's service territory, whether built by a residential builder or an owner-builder. The new home must have whole-house electric air-conditioning to qualify. Each participating residential builder must enter into a BuildSmart Program Agreement with FPL. An owner-builder must enter into a BuildSmart Program Single Home Agreement with FPL. To be eligible for BuildSmart certification, builders must comply with all national, state

and local codes and ordinances, as well as the Program Standards that would be filed with the Commission.

FPL proposes a number of modifications to BuildSmart to better meet builder requirements and increase Program participation. FPL believes that, with these Program changes, it can continue to offer a cost-effective residential new construction Program that will achieve far greater levels of participation and demand and energy savings. As described in greater detail in the direct testimony of FPL witness Daniel J. Haywood, FPL proposes to:

- Introduce a prescriptive approach that simplifies energy efficiency options and allows production builders to make large volume, discounted purchases that do not trigger housing plan modifications.
- Modify the existing flexible approach to eliminate the Gold, Silver and Bronze levels. Under the revised Program, the prescriptive approach is targeted to achieve an e-Ratio below .9 and under the modified flexible approach, an e-Ratio must be .8 or below.
- Offer only the Basic Service level.
- Eliminate Program participation fees, specifically as these fees currently apply to Bronze and Silver level homes. Gold Homes currently incur no fees.
- Add single-family attached dwellings to the Program.
- Provide builder incentives for qualifying BuildSmart homes that also achieve ENERGY STAR® certification by meeting the requirements of the DOE's and EPA's ENERGY STAR® Program.

FPL's proposed modifications to the BuildSmart Program are the result of a situational analysis performed by FPL to identify ways to further increase Program participation. The situational analysis revealed that the Program performs well relative to most homebuyers' needs but not as well in meeting builders' key needs.

There are two distinct types of builders: production and custom. Production builders construct large volumes of relatively standardized homes. Homes built by production homebuilders are estimated to represent more than 50% of the new construction market in FPL's service territory. Production homebuilders are more price sensitive than custom homebuilders,

which tend to build smaller volumes of high-end homes. As a result, custom builders are more flexible than production builders in modifying house plans, including a wide range of custom options (e.g., energy efficiency measures). To date, BuildSmart has had the most success among custom homebuilders.

To help penetrate the production housing market, the modified BuildSmart Program offers two certification tracks: a flexible measure approach and a prescriptive measure approach. Each approach is targeted at a specific market's needs. The prescriptive approach is targeted at meeting the needs of the production builder/homebuyer market and will include measures related to HVAC, ductwork and insulation. Under the prescriptive approach, to receive BuildSmart certification, a home must include specific prescriptive energy efficiency measures targeted to achieve an e-Ratio value at least 10% better than a baseline home as prescribed by the Florida Energy Efficiency Code. Under this approach, builders must submit to FPL plans or specifications that FPL can use to validate that the installed measures meet BuildSmart prescriptive requirements.

The flexible measure approach is targeted at the custom builder/homebuyer market and will allow any combination of measures necessary to achieve an e-Ratio value at least 20% better than a baseline home as prescribed by the Florida Energy Efficiency Code.

As it relates to the Commission's three-prong test for utility conservation programs, the modified BuildSmart Program is directly monitorable and yields measurable results. Program participation and efficiency upgrades will be tracked in a BuildSmart database. FPL will monitor the program's actual results on a continual basis and re-evaluate the forecasted participation levels and the energy and demand impact data, as necessary, over time.

In addition, the modified BuildSmart Program is cost-effective. FPL determined the Program, as redesigned, is cost-effective using the cost-effectiveness methodologies required by Rule 25-17.008, Florida Administrative Code and the planning assumptions from FPL's 2005-2014 planning process. As discussed in greater detail in Dr. Steven R. Sim's direct testimony, these analyses show the following benefit-cost ratios: 1.75 Participant, 1.06 RIM, and 1.10 TRC for the BuildSmart Program.

Finally, the modified BuildSmart Program is designed to advance the policy objectives of the Florida Energy Efficiency and Conservation Act ("FEECA") and satisfy applicable Commission rules. BuildSmart promotes the construction of energy-efficient homes that cost-effectively reduce FPL's coincident peak load and customer energy consumption. FPL will accomplish the Program objectives by conducting outreach efforts to builders and homebuyers, and promoting the benefits of installing highly energy efficient measures in new homes. Employing energy performance calculation tools, FPL will review house plans and provide recommendations to improve energy performance under the Florida Energy Efficiency Code. FPL will also perform post-construction inspections to validate the installation of planned energy efficient measures in new homes. Qualifying homes that pass inspection will be certified by FPL as BuildSmart homes. Additionally, FPL will provide builder incentives for qualifying BuildSmart homes that also achieve ENERGY STAR® certification by meeting the

requirements of the DOE's and EPA's ENERGY STAR® Program. These efforts are expected to significantly increase the energy efficiency of the new home construction market.

FPL will file Program Standards for BuildSmart. The FPL BuildSmart Program Standards will detail all applicable measures and Program requirements. The Program Standards will be subject to periodic review and may change over time based on factors including, but not limited to, technological advances, operational needs, program results, application assumptions, state energy code revisions or energy performance evaluation tool improvements.

The positions of Calcs-Plus and its principals ("Petitioners") in this proceeding fail to demonstrate that FPL's modified BuildSmart Program should be rejected. Petitioners are confused about or ignore the intent of the BuildSmart® Program. As addressed in the direct testimony of Daniel J. Haywood, the Program is designed to increase energy efficiency in the residential new home construction market. It is not a rating tool. The State of Florida has adopted the Building Energy Rating System ("BERS") to rate the energy efficiency of new homes and FPL fully supports this tool. However, the BuildSmart® Program does not require a BERS Rating, nor should it. If a customer wants a BERS Rating, a private rating firm may provide it. Alternatively, FPL may provide it pursuant to FPL's BERS tariff on file with the Commission.

Additionally, Petitioners have focused considerable discussion on the appropriate duct testing method for the Program. Once again, this confuses the intent of the BuildSmart® Program and a BERS Rating. In sum, two different duct testing protocols have been introduced – duct tester and pressure pan -- and it is important to distinguish the major differences in the two.

FPL's BuildSmart® Program utilizes the pressure pan technology to locate duct leakage within air-conditioning ductwork. This is an accurate, cost-efficient method of determining both the location and magnitude of leakage. The demand and energy impacts for the proposed BuildSmart® program revisions are based on the utilizing the pressure pan technology.

Prior to November 2004, the pressure pan technology was an approved method of testing for duct leakage for a BERS rating. After that date the duct tester is the only approved method. The BERS rating requires that leakage be quantified in cubic feet per minute ("cfm"). In order to quantify cfm leakage, effective November 2004, the testing protocol has changed to require a duct tester. This method determines the amount of leakage, but it does not determine where the leaks are occurring. When FPL performs a BERS rating, it uses this approved duct testing method.

The Petitioners' arguments relative to ratings and duct testing, should be rejected. Similarly, arguments relative to adopting a new generic cost-effectiveness test for conservation programs in this narrow docket addressing two conservation programs of only one utility, should be dismissed as inappropriate for this proceeding and unappealing as a substantive matter. The Commission should approve the BuildSmart Program as part of FPL's DSM Plan for 2005-2014. In addition, the RCS Program should be approved as consistent with Rule 25-17.003, Florida Administrative Code, which requires FPL to offer residential energy audits.

IV. ISSUES AND POSITIONS

ISSUE 1: Is the modified BuildSmart program cost-effective?

FPL: Yes. Applying the cost-effectiveness methodologies required by Rule 25-17.008, Florida Administrative Code, and the planning assumptions from FPL's 2005-2014 planning process, the benefit-to-cost ratios are greater than one. Therefore, the modified BuildSmart Program is cost-effective. (Sim, Haywood)

ISSUE 2: Is the modified BuildSmart program directly monitorable and will it yield measurable results?

FPL: Yes. Program participation and efficiency upgrades will be tracked in a BuildSmart database. FPL will monitor the Program's actual results on a continual basis and re-evaluate the forecasted participation levels and the energy and demand impact data, as necessary, over time. (Haywood)

ISSUE 3: Does the modified BuildSmart program advance the policy objectives of FEECA, section 366.080 et seq., Florida Statutes, Commission Rule 25-17.001, Florida Administrative Code, and applicable Commission policies?

FPL: Yes. The modified BuildSmart Program is designed to promote the construction of energy-efficient homes that cost-effectively reduce FPL's coincident peak load and customer energy consumption. (Haywood, Sim)

ISSUE 4: Should the Commission approve the modified BuildSmart program?

FPL: Yes. The modified BuildSmart Program should be approved as part of FPL's DSM Plan designed to meet FPL's Commission-approved goals for the period 2005-2014. The BuildSmart Program is designed to advance the policy objectives of FEECA and satisfy applicable Commission rules and policies. In addition, the Program is directly monitorable and yields measurable results. Finally, the Program is cost-effective. (Haywood, Sim)

ISSUE 5: Does FPL's Residential Conservation Service Program comply with the requirements of section 366.82(5), Florida Statutes, Rule 25-17.003, Florida Administrative Code, and applicable Commission policies?

FPL: Yes. FPL offers its residential energy audits through the RCS Program in accordance with section 366.82(5), Florida Statutes, and Rule 25-17.003, Florida Administrative Code. (Haywood)

ISSUE 6: Should the Commission approve FPL's Residential Conservation Service Program?

FPL: Yes. The RCS Program has been an integral component of FPL's DSM efforts since the 1980s, and the Commission should allow FPL to continue this Program. (Haywood)

ISSUE 7: Should this docket be closed?

FPL: Yes.

V. STIPULATED ISSUES

There are no stipulated issues at this time.

VI. PENDING MOTIONS

There are no pending motions at this time.

VII. PENDING REQUESTS FOR CONFIDENTIAL CLASSIFICATION

Florida Power & Light Company's Request for Confidential Classification of documents responsive to Staff's First Request for Production of Documents No. 1, filed September 6, 2005.

VIII. REQUIREMENTS OF THE PREHEARING ORDER THAT CANNOT BE MET

At this time, FPL is not aware of any requirements in the Order Establishing Procedure with which it cannot comply.

IX. OBJECTIONS TO WITNESSES' QUALIFICATIONS

At this time, FPL has no objections to a witness' qualifications as an expert.

Respectfully submitted this 19th day of September, 2005.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Florida Power & Light Company's Prehearing Statement, has been furnished electronically and by United States Mail this 19th day of September, 2005, to the following:

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