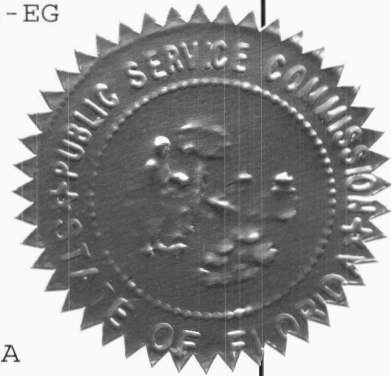


BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 100154-EG

In the Matter of:

PETITION FOR APPROVAL OF  
DEMAND-SIDE MANAGEMENT PLAN  
OF GULF POWER COMPANY.



PROCEEDINGS: COMMISSION CONFERENCE AGENDA  
ITEM NO. 4

COMMISSIONERS  
PARTICIPATING: CHAIRMAN ART GRAHAM  
COMMISSIONER LISA POLAK EDGAR  
COMMISSIONER RONALD A. BRISÉ  
COMMISSIONER EDUARDO E. BALBIS  
COMMISSIONER JULIE I. BROWN

DATE: Tuesday, January 25, 2011

PLACE: Betty Easley Conference Center  
Room 148  
4075 Esplanade Way  
Tallahassee, Florida

REPORTED BY: LINDA BOLES, RPR, CRR  
Official FPSC Reporter  
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## 1 P R O C E E D I N G S

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3 **CHAIRMAN GRAHAM:** Okay. Well, let's go to  
4 Item Number 4.5 **MR. GRAVES:** Good morning, Commissioners.  
6 Robert Graves of Commission Staff.7 **CHAIRMAN GRAHAM:** Hold on a second. Hold on a  
8 second. I know you're anxious, but that's all right.  
9 Sorry about that. I'm just picking on you. Go ahead.10 **MR. GRAVES:** Good morning, Commissioners.  
11 Robert Graves with Commission Staff.12 Item 4 is Staff's recommendation for  
13 Docket Number 100154, Gulf Power Company's petition  
14 for approval of its 2010 demand-side management  
15 plan.16 Gulf was previously ordered to modify its  
17 DSM plan which failed to meet the Commission's  
18 annual goals. Gulf has revised its DSM plan to  
19 increase participation rates in three programs.  
20 With these modifications, the revised plan is  
21 projected to satisfy the Commission's goals. Staff  
22 will continue to monitor and report on Gulf's  
23 achievements, Gulf's achievements annually as part  
24 of the FEECA report. Staff believes the rate impact  
25 associated with the revised plan is appropriate;

1           however, a rate impact mitigation plan was provided  
2           by the Company and is discussed on Pages 9 and 10 of  
3           Staff's recommendation.

4                       Staff would note that implementation of  
5           the rate impact mitigation plan would reduce  
6           projected energy savings by more than 200 gigawatt  
7           hours and the Commission's goals would not be met.  
8           Staff recommends that Gulf's revised DSM plan be  
9           approved.

10                      Staff is ready to answer any questions you  
11           may have, and representatives of Gulf and the  
12           Intervenors are also present.

13                      **CHAIRMAN GRAHAM:** Thank you, Staff. Let's  
14           start with the Intervenors, and we'll end with Gulf.

15                      **MR. CAVROS:** There we go. Chairman Graham,  
16           Commissioners, good morning. George Cavros on behalf of  
17           Southern Alliance for Clean Energy.

18                      SACE is a regional non-profit organization  
19           that promotes responsible energy choices. SACE  
20           strongly advocates for meaningful energy efficiency  
21           because it's the lowest cost resource available to a  
22           utility. A well-designed energy efficiency program  
23           can meet electricity demand at a fraction of the  
24           cost of meeting demand through new costly power  
25           projects. Efficiency measures help customers lower

1 their energy use and save money on their electric  
2 bills. For example, customers that participate in  
3 Gulf's low income and landlord/renter programs can  
4 reduce their monthly bills by almost \$7 a month.

5 But the fact is that many customers don't  
6 have access to either information or financial  
7 resources to implement energy efficiency measures  
8 themselves, and that's why these customers look to  
9 utility-sponsored programs like these to help them  
10 reduce energy use and save money on their bills.  
11 Yet these programs should also be cost-effectively  
12 designed to give customers the most bang for their  
13 buck.

14 SACE has filed several comments in this  
15 docket highlighting its concerns that not only  
16 Gulf's, but Progress Energy's, FP&L's and TECO's DSM  
17 plans might not be as cost-effectively designed as  
18 possible. I would especially direct you to the  
19 graph on Page 2 of SACE's most recent comments that  
20 show that bill impacts by FPL, TECO, Gulf and PEF  
21 tend to be about \$3 more a month than comparably  
22 scaled programs offered by utilities in other  
23 states. Those conclusions are based on a cost per  
24 kilowatt hour saved metric. Now while that metric  
25 isn't used by Staff or the utilities to determine

1 cost-effective program design, we certainly had  
2 hoped that it would be a catalyst for more due  
3 diligence in program design analysis by Staff.  
4 Unfortunately, a diligent analysis of how utility  
5 efficiency programs could be made more  
6 cost-effective has been sorely missing in both the  
7 utility plans and the Staff analysis of those plans.

8 Now that said, SACE is generally  
9 supportive of Staff's recommendation for approval of  
10 Gulf's revised DSM plan with, with the following  
11 points. We agree with Staff that the rate impact  
12 associated with the revised DSM plan is small, it's  
13 a small percentage of the total bill, and those  
14 participating in the program should be able to  
15 eliminate the rate impact. In fact, they should  
16 save money on their, on their total bill by  
17 participating.

18 Additionally, not mentioned in the Staff  
19 recommendation is that even customers who don't  
20 participate benefit because energy savings lead to  
21 lower overall system costs. And, in other words,  
22 what that means is every customer benefits from  
23 efficiency programs in the long-term because the  
24 programs defer more costly resource options like new  
25 power plants.

1           Also, Gulf deserves credit for having  
2 distinguished itself from its Florida peer utilities  
3 by making the effort to seek out best industry  
4 practices in program design. And one such example  
5 is that they've joined the Consortium for Energy  
6 Efficiency as a way to gain exposure to best  
7 practices in efficiency program design deployed by  
8 utilities around the country, and we think that's  
9 really important.

10           That said, SACE does not support the  
11 approval of the so-called rate mitigation plan.  
12 First, it's inconsistent with the Commission's order  
13 in the Gulf setting docket. Second, it reduces the  
14 energy savings to Gulf's customers. And, thirdly,  
15 such a plan isn't needed to mitigate rates because,  
16 as Staff correctly points out, given that a majority  
17 of the, of Gulf's programs are new, the appropriate  
18 incentive levels are still uncertain at this time.  
19 And Gulf has set its incentive levels at the maximum  
20 level to hedge against this uncertainty. In other  
21 words, Gulf has left a big cushion of incentive  
22 dollars for meeting its goals, yet incentive costs  
23 for actual successful program participation should  
24 come in lower than projected.

25           And the analogy I would use is, for

1 instance, trying to move a product off a store shelf  
2 by using coupons. Some customers might require the  
3 maximum coupon of, say, \$5 to be encouraged to buy  
4 the product. Others may decide that, you know, the  
5 product is a bargain at a \$3 coupon rate, and others  
6 still might be encouraged to buy the product with  
7 something other than a cash incentive.

8 Also, the rate mitigation plan only  
9 presents an analysis of deferral of programs as a  
10 way to mitigate rates. There was no analysis on how  
11 rates could be reduced by relying on programs that  
12 have a lower cost per kilowatt hour saved profile  
13 and relying also less on higher cost programs.

14 This presents a one-sided view on rate  
15 mitigation. In fact, there may be considerable  
16 potential to reach the Commission-approved goals  
17 with lower rate impacts by more reliance on lower  
18 cost programs. That way you don't lose valuable  
19 customer energy savings by deferring programs that  
20 customers depend on.

21 And just a few last technical points.  
22 Staff recommendation has no discussion on why the  
23 home energy reporting program has no energy savings  
24 between the years 2014 and 2016, and we'd like to  
25 know what happens in those years that eliminate

1 energy savings. Also, there was no discussion of  
2 rate impacts to commercial customers.

3 And, lastly, while we don't support the  
4 rate mitigation plan, the way in which Gulf chose to  
5 mitigate the rate impact did not include the  
6 wholesale elimination of programs as another Florida  
7 utility has previously suggested as a way to reduce  
8 impacts, and therefore it's not the worst possible  
9 approach. But the best approach is to design  
10 programs that provide customers with the most bang  
11 for their buck. Thank you.

12 **CHAIRMAN GRAHAM:** Thank you, sir.

13 Gulf.

14 **MR. GRIFFIN:** Good morning, Commissioners.  
15 I'm Steven Griffin here today on behalf of Gulf Power  
16 Company. With me is Mr. John Floyd with Gulf Power.  
17 Our primary purpose is to be here to answer any  
18 questions that, that the Commission may have. I do have  
19 a few general comments.

20 As you're possibly aware, this, this  
21 process has been lengthy. Gulf Power is eager to  
22 get started with its DSM plan, and to that end we  
23 are supportive of Staff's recommendation. There has  
24 been some discussion of the rate impact mitigation  
25 proposal in Gulf's revised plan, and I want to be



1 clear that we don't view that as being inconsistent  
2 with the Commission's order. The Commission clearly  
3 has authority under 366.82(7) to modify a DSM plan  
4 if there are concerns with undue rate impact.

5 And during the September 2010 agenda,  
6 which is the last time that we were before the  
7 Commission with our DSM plan, we were encouraged to  
8 consider ways to reduce rate impact, and the rate  
9 impact mitigation plan was Gulf Power's response to  
10 that. Obviously, the Commission has discretion to  
11 accept or reject it. But if you do have concerns  
12 with undue rate impact, you have the discretion to,  
13 to adopt that plan, and we think that that would be  
14 an appropriate mechanism. And as Staff has  
15 indicated in their Staff recommendation, they, you  
16 know, although they don't advocate it, they do  
17 acknowledge that it would be a reasonable mechanism  
18 to mitigate against rate impact.

19 The effect of the plan would be to reduce  
20 rate impact by approximately 50 percent while still  
21 achieving approximately two-thirds of the energy and  
22 demand savings associated with Gulf's current  
23 proposal. And so in that regard we think there's  
24 some bang for the buck, so to speak. However,  
25 regardless of whether the, the Commission chooses to

1 adopt that mechanism, we are prepared to, to move  
2 forward.

3 With respect to the concern about costs in  
4 general in comparison to peer utilities, we can  
5 commit to the Commission that we're doing everything  
6 that we can to minimize costs to our customers. We  
7 obviously have an interest in doing that. And with  
8 that, we're happy to answer any questions that the  
9 Commission may have.

10 **CHAIRMAN GRAHAM:** Thank you. Anything from  
11 Gulf? No?

12 Okay. We are to the Commission board.  
13 Any questions? Mr. Balbis.

14 **COMMISSIONER BALBIS:** Thank you, Mr. Chair. I  
15 have a few questions.

16 And, again, just, just to be consistent, a  
17 question to Staff as far as have you received any  
18 information concerning job creation benefits with  
19 the individual measures of their plan, both with the  
20 rate mitigation plan and the original filing?

21 **MR. GRAVES:** We haven't. We did contact the  
22 Company, and I believe they may have something for you.

23 **MR. FLOYD:** Yes, sir. John Floyd with Gulf  
24 Power Company.

25 Commissioner Balbis, we do expect that

1 implementation of our plan would have positive job  
2 and economic impacts really in a couple, at least in  
3 a couple of different ways: One being direct jobs  
4 created as a result of the implementation of some of  
5 these programs; one that Mr. Cavros mentioned, the  
6 low income direct installation program, jobs created  
7 for local heating and cooling contractors  
8 implementing programs associated with this plan,  
9 those kind of jobs clearly would be impacted by  
10 implementation of the plan.

11 Also, the incentives that, that customers  
12 receive for participation in some of the programs,  
13 those increase investment in energy efficiency  
14 products and services, and clearly that has a  
15 positive economic impact. However, we have not  
16 attempted to quantify that in terms of how many  
17 specific jobs that would create, but would be glad,  
18 as, as we deploy these programs and gain experience  
19 in the actual impacts, we'd be glad to share any  
20 available information with the Commission at that  
21 time.

22 **COMMISSIONER BALBIS:** Okay. Thank you. And  
23 one comment that I, that I do have as far as the rate  
24 mitigation plan, and I do agree with Mr. Griffin as far  
25 as the statutory authority, it does specifically state

1 in there that the Commission does have the ability to  
2 modify plant if there are, quote, undue rate impacts.

3 My concern is again from a consistency  
4 standpoint. You know, the other utilities that have  
5 submitted their DSM plans that I know I participated  
6 on two votes for, I'm concerned that they were not  
7 offered the opportunity to provide a rate mitigation  
8 plan. If we do have that ability, which I think is  
9 important to reduce the overall rate impact on the  
10 customers and still achieve the conservation goals  
11 or a portion of the conservation goals that were  
12 set, I would look to the Commission again from a  
13 consistency standpoint to move forward with Staff's  
14 recommendation, but maybe on a global level discuss  
15 the possibility of offering the opportunity to other  
16 utilities, and Gulf included, a rate mitigation plan  
17 that we can address and see if, again, meets the  
18 undue rate impact and have a further discussion at a  
19 later time for that. But that's the only comment I  
20 have on, on this item.

21 **CHAIRMAN GRAHAM:** Thank you, sir.

22 Commissioner Edgar.

23 **COMMISSIONER EDGAR:** Thank you. And to follow  
24 up on the, the potential job creation aspect of these  
25 programs, and I understand completely and heard you say

1 that you have not quantified and recognize that that may  
2 be difficult to do but certainly would be good  
3 information for everyone, and I look forward to that  
4 additional analysis. If indeed there may be some jobs  
5 created from it, is it true that those jobs would be  
6 paid for directly by the ratepayers by the additional  
7 increase from approving these programs?

8 **MR. FLOYD:** Yes. I would say that that would  
9 be a clear connection between the jobs created. They  
10 would be, you know, a result of the dollars spent in  
11 implementation of these programs, yes.

12 **COMMISSIONER EDGAR:** Which will be an increase  
13 in rates.

14 **MR. FLOYD:** Yes. That's correct.

15 **COMMISSIONER EDGAR:** Thank you.

16 **CHAIRMAN GRAHAM:** I don't see any other lights  
17 on, so can I get a motion? Commissioner Brisé.

18 **COMMISSIONER BRISÉ:** At this time I'd like to  
19 move Staff's recommendation.

20 **COMMISSIONER BROWN:** Second.

21 **CHAIRMAN GRAHAM:** It's been moved and seconded  
22 the Staff recommendation. Any further discussion?  
23 Mr. Brisé.

24 **COMMISSIONER BRISÉ:** Thank you, Mr. Chairman.  
25 I am, I have moved Staff's recommendation

1 and we've gotten a second. I just hope that all of  
2 the parties involved do the necessary education in  
3 order for these programs to work. And I certainly  
4 appreciate SACE coming forward and making comments,  
5 but I would like to see some engagement by SACE in  
6 supporting these DSM programs out in the public,  
7 working throughout their networks to make sure that  
8 individuals who are seeking to implement some of  
9 these things are aware of what's out there so that  
10 it's, the burden isn't strictly on the Company but  
11 that it's more of a community effort so that we can  
12 actually achieve some of these goals. So, so that's  
13 one of the comments that, that I have and that's one  
14 of the concerns that I have that it seems that  
15 there's only one group that is, is burdened with,  
16 with making sure that this happens. So I just hope  
17 that this becomes a larger community effort so that  
18 we gain as much as we possibly can from, from  
19 savings.

20 **CHAIRMAN GRAHAM:** Commissioner Balbis.

21 **COMMISSIONER BALBIS:** Thank you, Mr. Chair.

22 And I would like to commend Gulf. I think  
23 that the discussion and providing the rate  
24 mitigation plan, I think it's important. I think  
25 it's important for the Commission to see that, you

1 know, there are other options out there, and I just  
2 want to applaud Gulf for taking that effort. Again,  
3 you know, hopefully in, in the near future we can  
4 continue those discussions, again to further clarify  
5 the statutory authority we do have to determine  
6 what's an undue rate impact or not and then yet  
7 still achieve measurable conservation goals. But  
8 for that I thank you.

9 **CHAIRMAN GRAHAM:** Thank you.

10 Okay. If no further discussion, all in  
11 favor, signify by saying aye.

12 (Vote taken.)

13 Those opposed? By your action you've  
14 approved amendment -- I'm sorry -- you've approved  
15 Item Number 4, the Staff recommendation.

16 (Agenda item concluded.)

17 \* \* \* \* \*

1 STATE OF FLORIDA )  
 : CERTIFICATE OF REPORTER  
 2 COUNTY OF LEON )

3  
 4 I, LINDA BOLES, RPR, CRR, Official Commission  
 Reporter, do hereby certify that the foregoing proceeding  
 5 was heard at the time and place herein stated.

6 IT IS FURTHER CERTIFIED that I stenographically  
 reported the said proceedings; that the same has been  
 7 transcribed under my direct supervision; and that this  
 transcript constitutes a true transcription of my notes of  
 8 said proceedings.

9 I FURTHER CERTIFY that I am not a relative,  
 employee, attorney or counsel of any of the parties, nor  
 10 am I a relative or employee of any of the parties'  
 attorneys or counsel connected with the action, nor am I  
 11 financially interested in the action.

12 DATED THIS 28<sup>th</sup> day of January,  
 2011.

13  
 14 Linda Boles  
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 FPSC Official Commission Reporter  
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