

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Commission review of numeric conservation goals (Florida Power & Light Company)	Docket No. 130199-EI
In re: Commission review of numeric Conservation goals (Duke Energy Florida, Inc.)	Docket No. 130200-EI
In re: Commission review of numeric conservation goals (Tampa Electric Company)	Docket No. 130201-EI
In re: Commission review of numeric Conservation goals (Gulf Power Company)	Docket No. 130202-EI
In re: Commission review of numeric conservation goals (JEA)	Docket No. 130203-EI
In re: Commission review of numeric conservation goals (Orlando Utilities Commission)	Docket No. 130204-EI
In re: Commission review of numeric conservation goals (Florida Public Utilities Company)	Docket No. 130205-EI

Filed: June 10, 2014

**DUKE ENERGY FLORIDA, INC.'S
PREHEARING STATEMENT**

Duke Energy Florida, Inc. (DEF) hereby submits its Prehearing Statement with respect to its numeric conservation goals for the period of 2015 through 2024:

A. APPEARANCES:

DIANNE M. TRIPLETT
Associate General Counsel
MATTHEW R. BERNIER
Senior Counsel
DUKE ENERGY FLORIDA, INC.
299 First Avenue, N. FL-151
St. Petersburg, FL 33701
Telephone: (727) 820-4692
Facsimile: (727) 820-5519

B. WITNESSES AND EXHIBITS:

In identifying witnesses and exhibits herein, DEF reserves the right to call such other witnesses and to use such other exhibits as may be identified in the course of discovery and preparation for the final hearing in this matter.

1. WITNESSES.

Direct Testimony.

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
Tim Duff ¹	DEF's proposed conservation goals (2015-2024); DEF's ten-year projections (2015-2024); DEF's economic and achievable potential; evaluation of solar pilot programs; update of Technical Potential Study.	1-11

Rebuttal Testimony.

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
Tim Duff	Rebuttal of intervener witnesses Mims, Woolf, Rabago, and Fine regarding DEF's proposed goals, use of two-year payback, and cost-effectiveness of solar pilot programs.	1-11
Benjamin Borsch	Rebuttal of intervener witnesses Mims and Woolf regarding DEF's resource planning process and of intervener witnesses Woolf and Fine regarding DEF's carbon compliance cost assumptions.	2,3,5

2. DIRECT TESTIMONY EXHIBITS.

<u>Exhibit No.</u>	<u>Witness</u>	<u>Description</u>
<u> </u> (HG-1)	Duff	DEF's Proposed Goal Scenario Ten-Year Projections of DSM Savings
<u> </u> (HG-2)	Duff	DEF's estimated residential customer bill impact with 1,200 kWh reflecting projected achievable goal scenario of DSM savings using RIM and Participant tests

¹ On May 15, 2014, DEF filed its Notice of adoption of testimony, exhibits, and discovery affidavits of Helena Guthrie by Tim Duff, document number 02310-14. Mr. Duff will therefor sponsor Ms. Guthrie's pre-filed testimony and exhibits (which exhibits will retain their original designation of "HG-x").

<u> </u> (HG-3)	Duff	DEF's estimated residential customer bill impact with 1,200 kWh reflecting projected achievable goal scenario of DSM savings using TRC and Participant tests
<u> </u> (HG-4)	Duff	DEF's Technical Potential Calculation Methodology
<u> </u> (HG-5)	Duff	DEF's projected total Technical potential amount of DSM
<u> </u> (HG-6)	Duff	DEF's avoided generation assumptions
<u> </u> (HG-7)	Duff	DEF's projected economic potential using RIM
<u> </u> (HG-8)	Duff	DEF's projected economic potential using TRC
<u> </u> (HG-9)	Duff	DEF's measure list used for analysis
<u> </u> (HG-10)	Duff	DEF's measures with less than a two-year payback passing RIM and Participant tests
<u> </u> (HG-11)	Duff	DEF's measures with less than a two-year payback passing TRC and Participant tests
<u> </u> (HG-12)	Duff	DEF's projected achievable amount of DSM savings using RIM and Participant tests
<u> </u> (HG-13)	Duff	DEF's projected achievable amount of DSM savings using TRC and Participant tests
<u> </u> (HG-14)	Duff	DEF's sensitivity analysis – RIM and TRC DSM economic potential with regard to high fuel, low fuel, free ridership and future CO2 costs
<u> </u> (HG-15)	Duff	DEF's Solar Pilot Program summaries of achievements and expenditures
<u> </u> (HG-16)	Duff	Average residential and non-residential installed price of solar by state
<u> </u> (HG-17)	Duff	Average installed price of solar by market segment

3. REBUTTAL TESTIMONY EXHIBITS.

None.

C. DEF'S STATEMENT OF BASIC POSITION:

DEF has been offering energy efficiency programs and measures to its customers for more than 30 years. In addition, changes in building codes and standards and economic conditions have increased the amount of efficiency that customers are undertaking on their own, without incentive from the utility. These factors reduce the number of programs and measures that DEF can cost-effectively offer its customers. Accordingly, the ten-year proposed conservation goals set forth in the testimony of DEF witness Tim Duff are based upon DEF's most recent planning process of the total, cost-effective, winter and summer peak demand (MW) and annual energy (GWH) savings reasonably achievable in the residential and commercial/industrial classes through demand side management. DEF's projections of summer and winter demand savings, annual energy savings, and participants reflect consideration of overlapping measures, rebound effects, free riders, effects of changes to building codes and appliance efficiency standards, and DEF's evaluation of conservation programs and measures.

The Company's proposed goals are based on a collection of measures and programs that pass both the Participant and Rate Impact Measure ("RIM") tests. Specifically, DEF is proposing a goal of 419 MW of winter peak demand reduction, 259 MW of summer peak demand reduction, and 195 GWh of energy reduction over the 2015-2024 time period. The proposed cost-effective DSM goals meet the requirements of Rule 25-17, Florida Administrative Code (F.A.C.). DEF proposes that the Commission set DSM goals using the Participant and RIM tests, because these tests are well-balanced and ensure that the perspectives of participants and all other ratepayers (including non-participants) are fairly considered.

In support of the proposed DSM goals, DEF utilized the agreed-upon methodology to establish the proposed reasonably achievable, cost-effective goals. DEF first updated the Technical Potential Study completed by Itron in the 2009 goal-setting proceeding. This update resulted in the removal, addition, and adjustment of several measures due to changes in building codes and standards, new available technologies, and marketplace changes. DEF then took the resulting measures from the Technical Potential Study and performed Economic Potential and Achievable Potential analyses. In the Economic Potential analysis, DEF accounted for free-ridership by screening out measures with a participant payback of less than two years without a utility incentive. In the Achievable Potential analysis, DEF considered administrative costs and participant incentives to evaluate the cost-effectiveness of the remaining measures. At this step DEF also applied a market penetration analysis to estimate the participation projections for each DSM measure.

The Commission should approve DEF's overall Residential MW and GWH goals and overall commercial/Industrial MW and GWH goals set forth in Mr. Duff's testimony. These goals reflect the reasonably achievable demand side management potential in DEF's service territory over the ten year period 2015-2024 developed in DEF's planning process.

D. DEF'S STATEMENT OF ISSUES AND POSITIONS:

DEF's positions on the issues identified in this proceeding are as follows. (Note: The issue numbering sequence below corresponds to the Order Establishing Issues List (Order No. PSC-14-0154-PCO-EU) issued by Commissioner Brisé on April 7, 2014).

1. FACTUAL ISSUES.

ISSUE 1: Are the Company's proposed goals based on an adequate assessment of the full technical potential of all available demand-side and supply-side conservation and efficiency measures, including demand-side renewable energy systems, pursuant to Section 366.82(3), F.S.

DEF Position: Yes. DEF provided an adequate assessment of the full technical potential pursuant to Section 366.82(3), F.S. (Duff)

ISSUE 2: Do the Company's proposed goals adequately reflect the costs and benefits to customers participating in the measure, pursuant to Section 366.82(3)(a), F.S.?

DEF Position: Yes. DEF utilized the Participants' test as delineated in Rule 25-17.008, F.A.C., to adequately reflect the costs and benefits to customers participating in a DSM measure thereby adhering to the requirement of Section 366.82(3)(a), F.S. (Duff, Borsch)

ISSUE 3: Do the Company's proposed goals adequately reflect the costs and benefits to the general body of ratepayers as a whole, including utility incentives and participant contributions pursuant to Section 366.82(3)(b), F.S.?

DEF Position: Yes. To establish DEF's proposed DSM goals, the company utilized the RIM test as delineated in Rule 25-17.008, F.A.C., to adequately reflect the costs and benefits to the general body of ratepayers as a whole. The RIM test manages the inclusion of utility incentives as well as other utility costs in such a manner so as to create a benefit for all ratepayers while protecting all ratepayers, both participants and non-participants, from rates that would otherwise be higher in the absence of the DSM program. In addition to the RIM test, the company utilized the Participants' test to adequately reflect participant contributions. Given that DEF utilized these tests in its measure analysis, DEF is confident that the numeric goal it has proposed will ensure that all stakeholders' interests are balanced. (Duff, Borsch)

ISSUE 4: Do the Company's proposed goals adequately reflect the need for incentives to promote both customer-owned and utility-owned energy efficiency and demand-side renewable energy systems, pursuant to Section 366.82, F.S.?

DEF Position: Yes. The Company evaluated both customer-owned and utility-owned energy efficiency and demand-side renewable energy systems, pursuant to

Section 366.82, F.S. under the RIM and Participant tests to determine its cost-effective goals proposal. DEF believes the participant test addresses the need for customer incentives to invest in either energy efficiency or renewable systems and the RIM test balances the interest of all stakeholders. With respect to utility incentives, if DEF's proposed RIM-based goals are approved, then DEF does not believe utility incentives are needed. (Duff)

ISSUE 5: Do the Company's proposed goals adequately reflect the costs imposed by state and federal regulations on the emission of greenhouse gases, pursuant to Section 366.82(3)(d), F.S?

DEF Position: Yes. (Duff, Borsch)

ISSUE 6: What cost-effectiveness test or tests should the Commission use to set goals, pursuant to Section 366.82, F.S.?

DEF Position: The RIM test is the threshold measure that should be used in Florida as it reasonably balances the interests of all stakeholders. (Duff)

ISSUE 7: Do the Company's proposed goals appropriately reflect consideration of free riders?

DEF Position: Yes. By using a two-year payback period to screen certain measures, DEF's proposed goals appropriately reflect consideration of free riders. The use of a two-year payback period to account for free riders has been employed by DEF and the Commission since 1991. It is reasonable to assume that customers will act in an economically rational fashion and implement measures with a 2 year or less payback. Such a payback period is also supported by published customer adoption curves and ensures that the Company is not paying customers for measures they would do anyway. (Duff)

ISSUE 8: What residential summer and winter megawatt (MW) and annual Gigawatt-hour (GWh) goals should be established for the period 2015-2024?

DEF Position: DEF's goals are listed in the table below. (Duff)

2015 - 2024 Proposed Residential DSM Goals At Generator						
	Summer Demand (MW)		Winter Demand (MW)		Annual Energy (GWH)	
Year	Incremental	Cumulative	Incremental	Cumulative	Incremental	Cumulative
2015	26.43	26.43	58.38	58.38	25.45	25.45
2016	23.97	50.39	53.09	111.47	23.78	49.22
2017	22.21	72.61	48.74	160.20	20.77	69.99

2018	20.02	92.62	43.23	203.44	16.98	86.97
2019	17.71	110.34	37.46	240.89	13.01	99.98
2020	15.53	125.86	32.15	273.05	9.29	109.27
2021	13.65	139.51	27.79	300.84	6.16	115.43
2022	12.23	151.74	24.53	325.36	3.79	119.23
2023	11.27	163.00	22.29	347.66	2.19	121.42
2024	10.66	173.67	20.89	368.55	1.18	122.60

ISSUE 9: What commercial/industrial summer and winter megawatt (MW) and annual Gigawatt hour (GWh) goals should be established for the period 2015-2024?

DEF Position: DEF's goals are listed in the table below. (Duff)

2015 - 2024 Proposed Commercial/Industrial DSM Goals At Generator						
Year	Summer Demand (MW)		Winter Demand (MW)		Annual Energy (GWH)	
	Incremental	Cumulative	Incremental	Cumulative	Incremental	Cumulative
2015	11.97	11.97	5.42	5.42	14.47	14.47
2016	11.58	23.55	5.36	10.78	13.60	28.07
2017	11.03	34.58	5.56	16.34	11.99	40.06
2018	9.99	44.57	5.14	21.48	10.04	50.09
2019	9.09	53.67	5.01	26.49	7.98	58.07
2020	8.23	61.89	5.18	31.67	5.88	63.95
2021	6.89	68.78	4.78	36.45	3.92	67.87
2022	5.97	74.75	4.71	41.16	2.40	70.27
2023	5.59	80.35	4.95	46.11	1.40	71.67
2024	5.02	85.37	4.62	50.73	0.76	72.43

ISSUE 10: What goals, if any, should be established for increasing the development of demand-side renewable energy systems, pursuant to Section 366.82(2), F.S.?

DEF Position: DEF does not believe that the Commission should set goals or continue to require the solar set aside pilots, since the demand-side renewable energy market appears to have matured significantly over the last five years and the programs continue to fail the cost-effectiveness screens. However, should the Commission determine that it is still appropriate to establish goals designed to increase the development of demand-side renewable energy systems, DEF believes that the goals should be no larger than those currently in place. (Duff)

ISSUE 11: Should the Company's existing Solar Pilot Programs be extended and, if so, should any modifications be made to them?

DEF Position: No, DEF's existing Solar Pilot Programs should not be extended. The existing pilot programs are not cost-effective, and customer-owned solar installations have continued to become more viable and less expensive on their own over time. Therefore, DEF believes that there is no longer a need for the 2009 solar set aside dollars in the 2015 through 2024 goals setting. However, if

the Commission wishes to continue the solar set aside dollars, DEF believes that it should consider DEF's conceptual pilot program, which eventually may lead to the development of a community solar offering. This conceptual pilot program is designed in a manner to better utilize the solar set-aside funds to promote increased PV development in a fair and equitable manner for all customers. This is achieved by designing utility owned community- sited solar, grid tied solar PV facilities and passing on the benefit of reduced fuel expense to all customers (i.e. all customers share in the cost and benefit of solar). (Duff)

2. LEGAL ISSUES.

- DEF is not aware of any legal issues at this time.

3. POLICY ISSUES.

- DEF is not aware of any policy issues at this time.

E. STIPULATED ISSUES.

DEF agrees to the following stipulation: "Duke Energy Florida, Inc. provides electrical service to FIPUG members; this proceeding affects the substantial interests of FIPUG members who receive electrical service from Duke Energy Florida, Inc.; FIPUG has standing in this matter for trial and appellate purposes."

F. PENDING MOTIONS.

DEF is not aware of any pending motions at this time.

G. DEF'S REQUESTS FOR CONFIDENTIAL CLASSIFICATION.

DEF has the following pending requests for confidential classification:

- May 2, 2014 - Responses to Sierra Club's 1st Set of Interrogatories (Q. 2)
- May 7, 2014 - Responses to SACE's 1st Request for Production of Documents (Q. 6)
- May 19, 2014 - Responses to Staff's 1st Request for Production of Documents (Q. 3)
- May 22, 2014 - Responses to SACE's 2nd Request for Production of Documents (Q. 23)

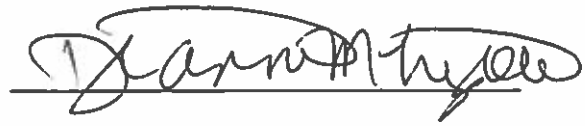
H. OBJECTIONS TO WITNESS QUALIFICATIONS AS AN EXPERT

None.

I. REQUIREMENTS OF PREHEARING ORDER THAT CANNOT BE MET.

None.

RESPECTFULLY SUBMITTED this 10th day of June, 2014.



Attorney

CERTIFICATE OF SERVICE

Docket No.: 130200-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing was served on the following via electronic mail this 10th day of June, 2014.



Attorney

Lee Eng Tan
Office of General Counsel
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
ltan@psc.state.fl.us
cmurphy@psc.state.fl.us
shopkins@psc.state.fl.us

Alisa Coe/David Guest
Earthjustice
111 S. Martin Luther King Jr. Blvd.
Tallahassee, FL 32301
acoe@earthjustice.org
dguest@earthjustice.org
bbeard@earthjustice.org

Steven L. Hall, Senior Attorney
Office of General Counsel
407 South Calhoun Street, Suite 520
Tallahassee, FL 32399
steven.hall@FreshFromFlorida.com

Jon C. Moyle, Jr. / Karen Putnal
Moyle Law Firm, P.A.
118 N. Gadsden Street
Tallahassee, FL 32301

George Cavros
Southern Alliance for Clean Energy
120 E. Oakland Park Blvd., Suite 105
Ft. Lauderdale, FL 33334
george@cavros-law.com

John Butler/Jessica Cano
700 Universe Blvd
Juno Beach, FL 33408
john.butler@FPL.com
jessica.cano@FPL.com

J. Beasley/J. Wahlen/A. Daniels
Ausley McMullen
Post Office Box 391
Tallahassee, FL 32302
jbeasley@ausley.com
jwahlen@ausley.com
adaniels@ausley.com

Jeffrey A. Stone/ Russell A. Badders
Steven R. Griffin
Beggs & Lane
Gulf Power
P.O. Box 12950
Pensacola, FL 32591
srg@beggslane.com

jmoyle@moylelaw.com
kputnal@moylelaw.com

Robert Scheffel Wright/John T. LaVia
Gardner, Bist, Wiener, Wadsworth, Bodwden,
Bush, Dee, LaVia & Wright, P.A.
1300 Thomaswood Drive
Tallahassee, FL 32308
schef@gbwlegal.com
jlavia@gbwlegal.com

James W. Brew / F. Alvin Taylor
c/o Brickfield Law Firm
1025 Thomas Jefferson St., NW, Eighth
Washington, DC 20007
jbrew@bbrslaw.com
ataylor@bbrslaw.com

Diana Csank
Sierra Club
50 F St. NW, 8th Floor
Washington, DC 20001
diana.csank@sierraclub.org

Kevin Donaldson
4200 West Flagler Street
Miami, FL 33134
kevin.donaldson@fpl.com

jas@beggslane.com
rab@beggslane.com

Robert L. McGee, Jr.
Gulf Power Company
One Energy Place
Pensacola, FL 32520
rlmcgee@southernco.com

J. R. Kelly/E. Saylor
Office of Public Counsel
111 W. Madison Street, Room 812
Tallahassee, FL 32393-1400
Saylor.erik@leg.state.fl.us
Kelly.jr@leg.state.fl.us

Paula K. Brown
P.O. Box 111
Tampa, FL 33602
pkbrown@tecoenergy.com

Gary V. Perko
P O Box 6526
Tallahassee, FL 32314
gperko@hgslaw.com

John Finnigan
Environmental Defense fund
128 Winding Brook Lane
Terrace Park, Ohio 45174
jfinnigan@edf.org