BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

COMMISSION REVIEW OF NUMERIC CONSERVATION GOALS (FLORIDA POWER & LIGHT COMPANY). — DOCKET NO. 130199-EI

COMMISSION REVIEW OF NUMERIC CONSERVATION GOALS (DUKE ENERGY FLORIDA, INC.). — DOCKET NO. 130200-EI

COMMISSION REVIEW OF NUMERIC CONSERVATION GOALS (TAMPA ELECTRIC COMPANY). — DOCKET NO. 130201-EI

COMMISSION REVIEW OF NUMERIC CONSERVATION GOALS (GULF POWER COMPANY). — DOCKET NO. 130202-EI

COMMISSION REVIEW OF NUMERIC CONSERVATION GOALS (JEA). — DOCKET NO. 130203-EM

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VOLUME 7

Pages 1550 through 1669

PROCEEDINGS: HEARING

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

DATE: Wednesday, July 23, 2014

TIME: Commenced at 2:36 p.m.
Concluded at 4:08 p.m.

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

APPEARANCES: (As heretofore noted.)

I N D E X

WITNESSES

E X H I B I T S

		ID	ADMTD
196	EPA Clean Power Plan	1600	1617
197	Annual TRC Achievable Potential	1665	1666

P R O C E E D I N G S

(Transcript continues in sequence from Volume 6.)

CHAIRMAN GRAHAM: Okay. It looks like we have a quorum.

SACE, you have the mike.

MS. TRIPLETT: Mr. Chairman? It's Diane, sorry.

CHAIRMAN GRAHAM: Yes.

MS. TRIPLETT: If I could be heard briefly on the matter that, I think, may streamline things a little bit.

CHAIRMAN GRAHAM: Okay.

MS. TRIPLETT: So I believe that Mr. Guest for SACE was going to ask Mr. Borsch a series of questions about the EPA nutrient water rule. And to the extent there was confusion about the question and objections to the characterization that Mr. Moyle made in the question, I think Duke Energy would be willing to stipulate that a proposed rule can differ when it gets to the final rule. And I think Mr. Moyle can be heard on it, as well, and perhaps be willing to strike the questions and answers that brought up all of this additional questioning.

MR. GUEST: May I speak to that?

CHAIRMAN GRAHAM: Mr. Moyle.

MR. MOYLE: I have been reminded by some of my friends that DEP is a few blocks away on Blair Stone, and that my water questions may have been better addressed over there. But we are willing to enter into a stipulation. The point simply was that rules can change as they move through in time. I don't want to create, you know, an issue that will divert the attention from things, so we're willing to stipulate to that, if that's agreeable, you know, to Mr. Guest.

CHAIRMAN GRAHAM: Mr. Guest.

MR. GUEST: Definitely not. Because what has happened with this witness is he has opened something I think is really important for you all, which is that the illustration offered was that there was this grand federal program that collapsed.

And what it did, in fact, is what we submit you guys can and should do. It led the way on something that had to be done. They came up with a methodology and a framework on how to solve a serious immediate problem, and the state agency acted responsibly, took the bull by the horns, and ended up handling the problem in short order, and ended up with a good deal that was practical for both the state and for the EPA.

And that's what I can show with this witness is that what happened there is a model for what you guys can do here and now. Take responsibility; follow what the EPA is doing; and get some real conservation and solar goals. That's the model that was used in this one, and you guys can follow it, too.

CHAIRMAN GRAHAM: Back up. Now, you're saying that what you want to show on the record is that a federal law can come out and continue -- what was the first part of that, what you said?

MR. GUEST: Yes. That in this case, what happened is that a federal rule dealing with a very serious problem were proposed to serve in the same context of the new EPA climate rules were; that there was, you know, initial resistance, but very quickly this state took the bull by the horns, worked closely with the EPA and came up with major changes quickly to deal with an immediate problem.

And that this idea that the whole thing can collapse instead of following the lead of the federal government is simply wrong. And I think it's an excellent illustration, because the EPA rules are --

CHAIRMAN GRAHAM: Well, I'll be willing to stipulate that much, if that's going to solve this problem.

MR. GUEST: If you'll stipulate that that is -- that is what happened in that case and it's a model for this one, I'm with you. We think that's the model.

CHAIRMAN GRAHAM: Do you have a problem with that?

MS. TRIPLETT: No, I don't think we have a -- I don't think we have a problem with that.

CHAIRMAN GRAHAM: Good. We're done.

MS. TRIPLETT: Thank you.

CHAIRMAN GRAHAM: Please.

CROSS EXAMINATION

BY MS. TAUBER:

Q. Good afternoon, Mr. Borsch. Jill Tauber for Southern Alliance for Clean Energy.

Mr. Borsch, in your capacity as Director of IRP Analytics, your goal is to find the most effective alternatives for meeting Duke's obligation to serve its customers, is that correct?

A. Yes.

Q. And you testified on rebuttal about Duke's resource planning process as it relates to DSM, is that correct?

A. I did.

Q. And the first step of incorporating DSM into a resource plan, and you mentioned this, I'm going to move very quickly, is creating a supply-side only plan that is based on a load forecast that contains no incremental DSM, is that correct?

A. That's correct.

Q. And if I can just refer you to Page 9 of your testimony, and specifically Lines 7 through 10. And on these lines, that resource plan that we were just talking about, the one which is selected for use in a cost/benefit evaluation of DSM measures, your testimony here is that that's the lowest cost plan on a cumulative present value revenue requirement basis, is that correct?

A. Uh-huh; yes.

MS. TAUBER: Okay. No further questions. Thank you.

CHAIRMAN GRAHAM: Staff.

MR. MURPHY: Staff has no questions.

CHAIRMAN GRAHAM: I apologize. EDF. I'm sorry, I apologize, I missed one.

MR. FINNIGAN: Thank you, Your Honor.

CROSS EXAMINATION

BY MR. FINNIGAN:

Q. Good afternoon, Mr. Borsch.

Were you present just before lunch when Mr. Sim was testifying for Florida Power & Light?

A. I was.

Q. He mentioned that -- and I apologize, I can't recall whether it was Mr. Sim or Mr. Coe, but one of the two mentioned that they had reviewed a study that Duke Energy Carolinas did for its Carolina service territory regarding the cost and benefits of distributed solar in its Carolina service territory.

Do you recall hearing that?

A. I did hear that.

Q. Are you familiar with that study?

A. I know that that study has been done, but I have not myself reviewed it.

Q. Okay. Has a similar study been done for Florida?

MS. TRIPLETT: Mr. Chairman, I'm sorry. I'm going to object to this line. This is not within the scope of this witness' rebuttal testimony.

MR. FINNIGAN: Your Honor, I understood the witness to say that these solar incentive programs were not cost-effective. And this study is a study that measures the cost and benefits of solar. And if there were a study done for Florida that measured the benefits, and if those were incorporated in the cost/benefit study, then it could be cost-effective. So that's where I was going with this line of questioning.

MS. TRIPLETT: Mr. Chairman, Mr. Duff would have been the appropriate witness to question about solar. Mr. Borsch solely discusses resource planning and carbon cost assumptions.

MR. FINNIGAN: Your Honor, I'll withdraw the question, and that's all the questions I have.

Thank you.

CHAIRMAN GRAHAM: Thank you.

Staff.

MR. MURPHY: No questions.

CHAIRMAN GRAHAM: Commissioners?

Commissioner Balbis.

COMMISSIONER BALBIS: Thank you.

I just have a quick question, and I appreciate your testimony. This Commission over the past four years has dealt with a lot of rate cases. We've traveled around the state, whether it's Florida Power & Light's rate case, Gulf Power, TECO, and in each of those cases we have heard consistently from customers that they are concerned with upward pressure on rates.

How does your analysis handle those concerns?

THE WITNESS: Well, the analysis, the portion of the analysis which my group is responsible for is related to the total cost impact and not directly to the rate impact. So I would say that, you know, we look at the perspective of attempting to find supply-side, or supply-side and demand-side solutions which reduce the total cost. And then subsequent to that work, other members of the organization look directly at the way that that would get translated into rates and the impact on different segments of the customer groups.

So I would say, you know, generically we endeavor to create a lower-cost solution. However, you know, once we have started down that path, the final result is tempered by the work of others in regard to how that will impact our ratepayers, and with a goal of minimizing that impact.

COMMISSIONER BALBIS: Okay. Thank you.

CHAIRMAN GRAHAM: Other Commissioners?

Redirect.

MS. TRIPLETT: I'm sorry, no, sir. And I don't think he has any exhibits, and I would just ask that he be excused from the hearing.

CHAIRMAN GRAHAM: Sure.

Sir, thank you very much for your testimony.

MS. TRIPLETT: Thank you.

THE WITNESS: Thank you.

CHAIRMAN GRAHAM: All right. So next on the list is TECO.

MR. BEASLEY: I call Mr. Howard Bryant.

HOWARD T. BRYANT

was called as a rebuttal witness on behalf of Tampa Electric Company, and having been previously sworn to tell the truth, testified as follows:

DIRECT EXAMINATION

BY MR. BEASLEY:

Q. Would you please state your name.

A. My name is Howard Bryant. And I still work for Tampa Electric, 702 North Franklin Street in Tampa.

Q. Thank you. Mr. Bryant, you are the same Howard Bryant that was sworn in on Monday, right?

A. Yes, sir.

Q. Have you prepared and submitted in this proceeding a 26-page document entitled Rebuttal Testimony of Howard T. Bryant?

A. Yes.

Q. Do you have any corrections to make to that testimony?

A. Yes, sir, I have two, and they are on Page 25. The first one is on Line 20. There is a number there that is stated as 260, it needs to change to 230.

And then down on Line 23, the same page, there is a number that is stated 17.85, and that number needs to change to 15.77.

Q. Thank you. And your testimony is not accompanied by an exhibit, correct?

A. Correct.

Q. Mr. Bryant, with the corrections you've made, if I were to ask you the questions contained in your rebuttal testimony, would your answers be the same?

A. Yes, they would.

MR. BEASLEY: I would ask that Mr. Bryant's Rebuttal Testimony be inserted into the record as though read.

CHAIRMAN GRAHAM: We'll insert Mr. Bryant's Rebuttal Testimony into the record as though read.

BEFORE THE PUBLIC SERVICE COMMISSION

REBUTTAL TESTIMONY

OF

HOWARD T. BRYANT

Q. Please state your name and business address.

A. My name is Howard T. Bryant. My business address is 702 North Franklin Street, Tampa, Florida 33602.

Q. Are you the same Howard T. Bryant who filed direct testimony in this proceeding?

A. Yes, I am.

Q. What is the purpose of your rebuttal testimony?

A. My rebuttal testimony addresses significant deficiencies in the direct testimony and exhibits of Natalie Mims and Karl Rábago, testifying on behalf of the Southern Alliance for Clean Energy ("SACE"), Ken Woolf testifying on behalf of Sierra Club and Dr. James Fine testifying on behalf of the Environmental Defense Fund ("EDF").

Q. Do you have any general comments regarding the overall testimony of the intervenor witnesses?

A. Yes. The testimony of each of the above witnesses is highly critical of the process utilized by the Commission and the FEECA utilities in setting DSM goals. However, that criticism principally relies on conclusions drawn by the intervenor witnesses from reams of conclusory reports and other documentation from around the country, much of it hearsay, and none of which is specific to the task at hand, which is setting DSM goals for the FEECA utilities for the 2015-2024 time period. Despite their across-the-board criticism of the manner in which DSM goals has been set in Florida, when it comes time to provide input as to what those goals should be, the intervenor witnesses pull arbitrary percentages out of the air, as they are forced to do given their lack of any Florida-specific studies or rigorous analyses, as required by Rule 25-17.0021, F.A.C., or fail to recommend any goals at all, which adds nothing of substance. (Mims - 0.75 percent of retail sales ramping up to one percent in "another year" (page 62); Rábago - no recommended goals at all; Woolf - one percent of annual retail sales by 2019 (page 82); Dr. Fine - no recommended goals but instead, generalized support for non-cost-effective solar applications). Of those witnesses advocating an arbitrary percent of revenues approach (Mims and Woolf), neither attempts to examine what impact those arbitrary goals would have on utility customers in Florida. This renders those goals not only arbitrary, but irresponsible and indefensible.

The general approach of these witnesses is to ignore the nearly 35 years of successful delivery of conservation and energy efficiency programs by Tampa Electric to its customers. In 1981, the Florida Energy Efficiency and Conservation Act ("FEECA") was adopted requiring utilities to offer efficiency programs to customers to help utilities reduce the demand for energy. Tampa Electric was the first utility to receive Commission approval of its plans to meet the requirements of FEECA. The company has been a consistent contributor to the overall success of Florida's conservation efforts.

The Commission has consistently required aggressive goals and at the same time has strived to be mindful of the rate impact that conservation programs have on customers. With one exception, discussed later, the Commission has accomplished this through the use of a Rate Impact Measure ("RIM") test and Participant test to screen potential DSM measures to avoid undue high utility rate impacts and cross-subsidization of program participants by non-participants. As I later describe, SACE, Sierra Club and EDF would have the Commission jettison its balanced and effective approach to DSM goals setting and adopt in its place a radical pursuit of per capita reduction in energy consumption without any regard whatsoever for the rate impact on consumers of electric power in Florida. Their approach is wrong and should be rejected.

Contrary to these intervenor witnesses' suggestions, this Commission and the FEECA utilities have not gotten it all wrong. To the contrary, the FEECA utilities collectively, and Tampa Electric standing alone, have made and continue to make significant achievements in the area of DSM.

Rebuttal to Natalie Mims Testimony

Q. Please address Ms. Mims assertion that FEECA mandates the use of the Total Resource Cost ("TRC") cost-effectiveness test and that the Commission has mandated the use of TRC?

A. I disagree with her conclusion regarding the FEECA mandate. Moreover, with one exception, the Commission has relied on the RIM test and the Participant test in setting DSM goals for the FEECA utilities. The

Commission only receded from the RIM test one time in setting DSM goals, in 2009. The Commission subsequently determined that programs designed to meet those goals would be so costly as to warrant reverting back to RIM based DSM programs for two affected utilities, namely, Florida Power and Light and Duke Energy Florida (Progress Energy at the time of the decision).

Q. Did the Commission utilize the RIM and Participant tests prior to 2009?

A. Yes. In 1994 the Commission set conservation goals for the FEECA utilities based on measures that passed both the Participant and RIM tests. In so doing, the Commission stated:

> . . .We find 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. . . .[1]

Again, in 2004, the Commission set DSM goals for Tampa Electric and in so doing stated:

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[1] Order No. PSC-94-1313-FOF-EG issues in Docket Nos. 930548-EG, 030549-EG, 930550-EG and 930551-EG.

> TECO appropriately used the RIM and Participant tests to determine the cost-effective level of achievable DSM goals. Therefore, TECO's proposed conservation goals are hereby approved.[2]

Ms. Mims is simply wrong in her assertion that FEECA requires use of the TRC cost-effectiveness test. Clearly the RIM and Participant tests produce goals that do not unduly increase rates and at the same time protect customers who cannot or do not participate in a utility DSM measure from having to subsidize those customers who do participate. I would urge the Commission to reaffirm the RIM test and Participant test as the most appropriate cost-effectiveness tests to set DSM goals at levels that comport with the Commission's overall ratemaking responsibility and which are fair to all customers.

Q. Beginning on page 28, Ms. Mims alleges that the FEECA utilities' costs are too high. How do you respond to that assertion?

A. I disagree with her statement. Tampa Electric's assumptions regarding costs are based on Florida specific and Tampa Electric specific analyses. Moreover, the

[2] Order No. PSC-04-0765-PAA-EG issued August 9, 2004, Docket No. 040033-EG.

company's program costs have been closely audited by the Commission and are the subject of extensive discovery and analysis in the conservation cost recovery proceedings. I believe Tampa Electric's assumptions are reasonably based on Florida specific costs. Ms. Mims problem is that she has not performed a Florida specific analysis.

Q. How do you respond to Ms. Mims' suggestion, beginning at the bottom of page 17 of her testimony, that the utilities' concern with cross-subsidization is unfounded?

A. I believe it inappropriately disregards basic fairness for customers who, for one reason or another, are not able to participate in DSM programs. That unfairness is avoided by use of the RIM and Participant cost-effectiveness tests. Ms. Mims suggestion that cross-subsidization should be overlooked because not all customers that pay for energy infrastructure will necessarily receive a comparable benefit ignores the distinction between unavoidable and avoidable cross-subsidization. Cross-subsidization in the design of DSM goals is avoidable and use of the RIM and Participant tests is what enables the avoidance to occur. Just because some cross-subsidization is unavoidable does not warrant not taking steps to avoid cross-subsidization that can be avoided.

Q. How do you respond to Ms. Mims criticism of the use of a two-year payback to address free ridership in the setting of DSM goals?

A. I believe her position is unfounded. The two-year payback screen has been utilized by the Commission since 1994 as a reasonable means to avoid paying incentives to a customer in circumstances where there is a strong likelihood that the customer will adopt a measure without receiving an incentive. The evaluation, measurement and verification alternative proposed by Ms. Mims would be complicated, difficult to administer and costly, and I believe unlikely to produce a more accurate assessment of free ridership than the use of the two-year payback criterion.

Q. What is your view of Ms. Mims recommended energy efficiency goals of 0.75 percent of retail sales, ramping up to one percent "in another year"?

A. As I stated in my general comments, this is a completely arbitrary and unsupported recommendation that signifies no regard whatsoever for the impact that recommendation would have on utility customers in Florida. That recommendation should be summarily rejected as being arbitrary and baseless.

Rebuttal to Karl R. Rábago

Q. Please describe your overall assessment of the testimony of Karl R. Rábago on behalf of SACE?

A. Mr. Rábago's testimony does not address the issue to be resolved in this proceeding, which is what levels of DSM goals should be set for the FEECA utilities for 2015-2024. Instead, Mr. Rábago urges the Commission to ignore the results of the solar pilot programs the Commission instituted in 2009 and, instead, to adopt a new "value of solar" cost-effectiveness analysis which appears designed to make non-cost-effective solar applications appear cost effective through the use of subjective externality costs. His testimony is accompanied by voluminous non-Florida specific publications, much of which is hearsay, and none of which has any bearing on the issue of what numeric DSM goals should be set in this proceeding.

Mr. Rábago's testimony does not detract from the reasonableness of the DSM goals sponsored in my direct testimony or the fact that the solar pilot programs implemented by Tampa Electric pursuant to the Commission's 2009 order have clearly proven to be non-cost effective under the RIM and TRC tests and that participants in these programs have been non-cost-effectively subsidized by all other customers.

Q. What is your assessment of Mr. Rábago's "value of solar" proposal?

A. Mr. Rábago's "value of solar" analysis is a complex and subjective concept that appears designed to create numerous "savings" in an effort to make non-cost-effective solar applications appear cost-effective. In stark contrast, the results of the solar pilot programs ordered by the Commission in 2009 serve as concrete objective evidence that the total benefits from these pilot programs are far too small compared to the costs associated with delivering these programs. Consequently, as I stated in my direct testimony, any continuation of expenditures on this renewable initiative will only exacerbate two existing conditions: (1) the continued upward pressure on the ECCR clause for programs that do not pass RIM or TRC cost-effectiveness tests, and (2) the continued payment of subsidies by non-participants to those customers installing these technologies. It is simply not a responsible use of ratepayer dollars to promote these programs under any cost-effectiveness test. I believe it would be a complex, time consuming and costly exercise to pursue a "value of solar" initiative in an effort to "prop up" the perceived value of solar programs that clearly have been shown to be non-cost-effective. This non-cost-effective determination of these pilot solar programs is a result of the Commission's directive in the last DSM goals proceeding to conduct the programs in an effort to explore whether or not the infusion of incentive dollars into the marketplace would change the previously recognized non-cost-effective DSM nature of these renewable technologies. These pilot solar programs have now clearly demonstrated and confirmed through actual field installations and data collection that they are not cost-effective from a DSM measure perspective.

Based on the non-cost-effective results of the renewable measures contained in the pilot solar programs, it is now appropriate to set renewable goals for Tampa Electric at zero. This is consistent with four previous Commission decisions setting goals at zero when no DSM measures have proven to be cost-effective. This first occurred for Jacksonville Electric Authority ("JEA") in Docket No.

990720-EG, Order No. PSC-00-0588-FOF-EG, and again in Docket No. 040030-EG, Order No. PSC-04-0768-PAA-EG. In both orders, the Commission stated that JEA's goals were set at zero because none of the measures evaluated passed both the RIM and Participant tests. The same decision was made for Orlando Utilities Commission ("OUC") in Docket No. 990722-EG, Order No. PSC-00-0587-FOF-EG, and again in Docket No. 040035-EG, Order No. PSC-04-0767-PAA-EG. In both orders, the Commission stated that OUC's goals were set at zero because none of the measures evaluated passed both the RIM and Participant tests. The same rationale calls for setting Tampa Electric's renewable goal at zero in this proceeding.

Rebuttal to Mr. Woolf's Testimony

Q. Please describe your overall impression of Mr. Woolf's testimony?

A. Like the other intervenor witnesses, Mr. Woolf apparently begins with the assumption that everything that has been done in Florida in the way of DSM is fundamentally wrong, and that the Commission should abandon its rules and precedent and, instead, adopt sweeping changes imported from other jurisdictions. Mr. Woolf starts out with the blanket conclusion that the proposed goals are too low.

He disregards the reasons why they are low, compared to previous periods. In so doing, he totally disregards the factors outlined in my direct testimony explaining why Tampa Electric's current proposed goals are lower than those proposed five years ago.

Q. How do you respond to Mr. Woolf's criticism of the RIM test?

A. His criticisms of the RIM test are flawed for the same reasons discussed earlier relative to Ms. Mims comments on the RIM test. Mr. Woolf, like Ms. Mims, is urging the Commission to jettison a cost-effectiveness test which keeps a reasonable eye on rates and a reasonable guard against cross-subsidization on the theory that those concerns should take a back seat to maximizing DSM, whatever the cost.

Q. On page 23 Mr. Woolf states that cross-subsidies are endemic to regulated electric utilities, and provides several examples. How do you respond to his suggestion that cross-subsidies are not that important?

A. Like Ms. Mims, Mr. Woolf ignores the distinction between avoidable and unavoidable cross-subsidies. He prefaces his examples with the phrase "while it is important to avoid cross-subsidies where possible", which is telling. The examples he provides are the unavoidable cross-subsidies. The cross-subsidization which the use of the RIM test and the Participant test prevent is avoidable cross-subsidization, which is possible to prevent and, therefore, should be pursued, based on Mr. Woolf's own admission.

Q. Please address Mr. Woolf's suggestion on pages 28-29 that the focus should be on reducing bills as opposed to focusing on rates?

Q. For residential customers the bottom line on the bill is a function of rates and usage. Utility customers focus on the rate because it determines not only the cost of the product consumed, but also the amount of electricity the customer can plan on using during a budgeting period. Despite his focus on the bottom line amount shown on the bill, I am sure that Mr. Woolf, like most people, has a keen interest in the rate being charged. Anyone driving down the road with little gasoline left in the tank would start looking at the prices posted at different gas stations when deciding where to fill up, especially when two stations are next to each other, easily accessible and one is posting a rate per gallon that is less than the other. This same focus on price per unit applies to all commodities purchased by the average person. It also accounts for the fact that the Commission requires a period of 30 days between the approval of a rate increase and the implementation of that rate increase, so that utility customers can plan accordingly in their electric consumption, particularly in the commercial and industrial sectors.

Q. Please address Mr. Woolf's criticism, beginning on page 32, that the utilities have not accounted for cost of greenhouse gas ("GHG") regulations?

A. Mr. Woolf has criticized the utilities for not speculating about what, if any, GHG regulations may be promulgated in the future. Rather than spending Tampa Electric's customers' dollars based on speculation, the company believes the prudent course of action is to await the adoption of any such regulations and then to react accordingly. Tampa Electric has taken the potential for greenhouse gas regulations into account and has determined that it would rather not gamble with its customers' money at this juncture.

Q. Have you taken into account the Environmental Protection Agency's recently announced proposed regulation that would require carbon emission reductions by 30 percent from 2005 levels by 2030?

A. Yes, and the fact that such a regulation has been proposed does not necessarily mean it will be adopted. Significant opposition to the proposed regulation has been highlighted in the press and legal challenges are reportedly being prepared. Tampa Electric does not believe it would be prudent to speculate about carbon costs associated with this proposed regulation that may or may not come into being. Carbon costs were factored into the goal setting process five years ago and the company finds itself, five years later, not knowing whether or when carbon reduction related requirements will become final, or what the content of any final requirements may be.

Q. How do you respond to Mr. Woolf's contention, beginning at page 35, that the utilities ignore non-energy benefits of energy efficiency?

A. Mr. Woolf attempts to call upon largely non-quantifiable externalities as benefits when he, himself, has not even attempted to quantify the "value" of those externalities. This is just another unsupported argument in favor of higher DSM goals that will cause unknown but increased impacts to customer rates.

Q. Please respond to Mr. Woolf's contention, beginning at page 44, that the technical potential estimates understate DSM potential?

A. Mr. Woolf's contention that the technical potential was understated is focused in part on behavioral measures where savings are predicated on sustained customer behavior over the life of the measure, measures already captured in the technical potential such as HVAC systems, and DSM programs where multiple measures are involved in providing the total program savings. Tampa Electric adhered to the Commission's Order Establishing Procedure which stated the conclusion drawn from the June 17, 2013 Staff meeting with the parties. That conclusion was stated as follows, "The parties agreed that the Technical Potential Study used in the previous numeric goals proceeding, Docket Nos. 0804070-EG - 080412-EG, should be updated by each utility, on or about September 30, 2013." The Staff correctly understood any incremental value to performing a full technical potential study on the heels of a recent, robust study was far less in value than the cost necessary to undertake such an endeavor. Furthermore, the groundwork for any interested party to provide any new measures for inclusion in the technical potential update evaluation process was clearly outlined at the June 17 meeting. The utilities simply asked for Florida specific data on any new measure's performance and the measure would then be included. This was the same criteria each utility was also required to provide.

Q. Please respond to Mr. Woolf's argument against the two-year payback screening to account for free ridership?

A. Mr. Woolf's criticism of the two-year payback screen for free ridership ignores the intuitive reasonableness of this measure and demonstrates his unfamiliarity with the Commission's rule concerning conservation goals and related matters. Rule 25-17.0021, F.A.C., implements conservation goals for electric utilities. Subsection (3) of that rule requires that each utility's projection in a proceeding to establish or modify DSM goals shall reflect consideration of a number of factors including "free riders" during the goals setting process - not postponing the evaluation to the program development stage as Mr. Woolf argues. Free ridership occurs when a customer is provided an economic incentive to take an action that the customer likely would take on its own, even without receiving the incentive. As a simple example, the average person would not need to receive a $2 incentive to bend down and pick up a stray $5 bill the person happened to spot on the sidewalk. Paying the $2 incentive would be a waste of resources because the average person would pick up the stray $5 bill anyway.

It is reasonable to assume that most, if not all, DSM measures that pay for themselves within two years or less are sufficiently attractive from an economic perspective that the average homeowner or business manager will take advantage of the measure on their own without receiving an incentive from the utility. The two-year payback screen is a reasonable means of considering and avoiding free ridership.

The Commission has a long history of using the two-year payback criterion in goals setting and program participation standards. Tampa Electric first introduced the screen in 1991 as a key part of a program standard. The program standard restricted incentive payments to any measure that had less than a two-year customer payback. The Commission approved the two-year payback standard in

1991 and has subsequently approved it in every program filing since then. In 1994, Florida Power and Light introduced the two-year payback screen in their goals docket as a means of minimizing free riders and the Commission approved FPL's goals that were based on this standard. The Commission Staff has acknowledged the use of the Participant test and the two-year payback criterion to control free ridership in recent workshops. John Laitner with the American Council for an Energy-Efficient Economy ("ACEEE") published an article identifying the two-year back as a reasonable threshold for a customer to not require any utility incentive. Similarly, the Environmental Protection Agency Energy Star program indicates that consumers desire rapid payback when incremental up-front investment is required and that period is in the range of two to three years. Based on this overwhelming support and continued utilization of the two-year payback criterion, Tampa Electric believes it remains the most appropriate tool for minimizing free ridership.

In addition, the use of the two-year payback screen to minimize free riders was decided upon early in the collaborative process in the goals setting proceedings five years ago. Mr. Wilson of SACE/NRDC participated in the discussion and agreed to the decision.

Q. Please respond to Mr. Woolf's recommended DSM goals to achieve annual efficiency savings equal to one percent of annual retail sales by 2019?

A. Just like Ms. Mims' recommendation of 0.75 percent of retail sales, ramping up to one percent in "another year", Mr. Woolf's one percent recommendation is totally arbitrary and unsupported and should be rejected. Like Ms. Mims, Mr. Woolf rolls out his arbitrary percentage of retail sales goal without any consideration whatsoever for the rate impact on utility customers in Florida. He simply and summarily concludes, at page 87, that the rate impacts of the Sierra Club goals will not be much higher than those of the utilities' goals. But in fact, the rate impact of an arbitrarily selected one percent goal will be significantly higher. Using Tampa Electric's proposed RIM-based DSM goals and associated costs to determine an order of magnitude of the rate impact on customers under the burden of a one percent DSM energy goal, the increased cost of DSM through the ECCR clause will be almost six fold, from an average of $47 million annually to an average of $260 million annually. A commensurate bill impact for 1,200 kWh will also occur, namely, the customer’s monthly ECCR cost will increase from an average of $3.22 per month to an average of $17.85 per month.

Q. Do you have an opinion regarding Mr. Woolf's suggestion that decoupling be considered as a method to treat the lost revenue issue?

A. Decoupling is, as Mr. Woolf concedes, a concept that has been considered and rejected by this Commission. It is beyond the scope of this proceeding and should not be considered.

Rebuttal to Dr. Fine's Testimony

Q. Do you have any overall comments regarding Dr. Fine's testimony?

A. Yes. These are goals setting dockets to implement FEECA - not an all-consuming omnibus proceeding to address the universe of environmental objectives envisioned by Dr. Fine.

Q. Please respond to Dr. Fine's suggestion that FEECA utilities should take steps to factor in GHG regulations as a cost in the equation to determine the cost-effectiveness of DSM measures?

A. The bulk of the first 13 pages of Dr. Fine's testimony suggests that the FEECA utilities should engage in speculation as to what GHG regulations may be enacted and what they may cost. As stated earlier with respect to witness Woolf's testimony, Tampa Electric would rather not speculate when the impact of any wrong guesses shows up in customers' bills. The company believes the future of GHG regulation is anything but settled and that factoring in any costs of GHG regulation at this time is unwarranted.

Q. Beginning on page 14 Dr. Fine suggests a continuation of the solar programs the Commission required the utilities to undertake as pilot programs in 2009. How do you respond?

A. As I have previously indicated, these programs are not cost-effective and the rebates associated with these programs should not be continued. At such time as solar applications can be demonstrated to be cost-effective, Tampa Electric will consider them as it would any other DSM measure. However, unless and until that occurs, the company does not believe the solar pilot programs should be continued.

As previously stated in response to Mr. Rábago's testimony, the past Commission decision to set goals at zero when no measures are cost-effective is appropriate for Tampa Electric's renewable goal.

Q. On pages 19 through 22 Dr. Fine recommends various changes for distributed solar PV programs. How do you respond?

A. These various tweaks to distributed solar PV programs do not detract from the fact that solar PV has been demonstrated, on a pilot program basis, to be non-cost-effective in the company's service area. Until such time as that changes, none of the changes suggested by Dr. Fine have any value.

Q. Do you have any concluding remarks regarding the testimonies by SACE, Sierra Club and EDF?

A. Yes, I do. I want to stress the solid efforts that have been put forth by the FEECA utilities and the Commission's Staff over nearly a year-long process to develop aggressive, yet reasonable, DSM goals consistent with the Commission's goal setting rule and the provisions of FEECA that it implements. All participants in this effort should be proud of the results and confident that they meet all relevant legislative objectives. The counter proposals of SACE and Sierra Club, on the other hand, appear to be arbitrarily crafted, "made up" goals designed to pursue an overarching environmental agenda that has no concern whatsoever for electric customers in Florida or the economy of this state.

The "goals" proposed by SACE and Sierra Club are nine to thirteen times higher on a winter/summer peak demand basis, and approximately thirteen times higher on an energy basis than the utility-sponsored goals derived from a nearly year long effort with valuable Staff input. Furthermore, these "goals" would increase Tampa Electric's cost of DSM through the ECCR clause almost six fold, from an average of $47 million annually to an average of ~~$260~~ $230 million annually. Additionally, the customer's monthly ECCR cost for a 1,200 kWh bill will increase from an average of $3.22 per month to an average of ~~$17.85~~ $15.77 per month. These stark differences alone make the SACE and Sierra Club proposed goals inherently suspect. Those differences, together with the deficiencies in the testimonies of the SACE, Sierra Club and EDF witnesses I have described, form a solid basis for rejecting the proposals put forth by these intervenors.

Q. Does this conclude your testimony?

A. Yes it does.

BY MR. BEASLEY:

Q. Mr. Bryant, have you prepared a summary of your rebuttal testimony?

A. Yes, I have.

Q. Would you please present it.

A. Yes.

Good afternoon, Commissioners. My rebuttal testimony addresses the serious deficiencies and inaccuracies in the testimonies submitted on behalf of the Southern Alliance for Clean Energy, the Sierra Club, and the Environmental Defense Fund.

Collectively, the witnesses for SACE, Sierra Club, and EDF have formulated and put forth either arbitrarily selected DSM goals for Tampa Electric, or no goals at all, and thereby ignoring the purpose of this hearing.

For the goals that were put forth, they are devoid of any analytical support; they lack any association with the company's resource planning process; and they fail to consider any cost-effectiveness analyses and forgo adherence to Rule 25-17 for setting DSM goals for the electric utilities.

Furthermore, a detailed evaluation of the resulting rate impact to Tampa Electric customers of their proposed goals is not provided by the witnesses, thus leading to the total inability of this Commission to perform its statutory requirement of *Section 366.82* of the *Florida Statutes* which authorizes the Commission to modify or deny conservation plans or programs that would have undue impact on costs passed on to customers. And indeed their witnesses contend that the rate impact is really of no consequence to customers. However, this Commission requires a 30-day notification to customers prior to any rate change.

Additionally, I think one only needs to consider the various gasoline prices that are posted in any geographic area or maybe the cost of every unit that's in a grocery store which is done on a unit or a per-ounce basis to realize the fallacy of their position relative to rates.

The witnesses for SACE and the Sierra Club and EDF further demonstrate their lack of understanding in the following key areas: Their misinterpretation of the 2008 revisions to the FEECA Statute; their incorrect stated belief that the amended statute now requires a specific cost-effectiveness test, namely, the TRC test; their blind eye turned toward the TRC test which omits a key cost element that is clearly necessary for this Commission to accurately discharge its duties of managing any upward pressure on customer rates; the rejection of a time-tested, Commission-approved methodology to account for free riders when setting DSM goals; their failure to recognize the thorough analysis of the results of the company's solar pilot programs and the importance of proper management of the funding of those activities, so as to not create a massive gave-away program subsidized by the ratepayers for noncost-effective measures.

The general approach of these witnesses seems to be to ignore or fail to recognize the nearly 35-years of successful cost-effective delivery of conservation and energy efficiency programs by Tampa Electric to its customers.

Tampa Electric, along with the other Florida utilities, has been a consistent contributor to the overall success of Florida's conservation efforts and is committed to continuing its successful contribution.

The Commission has consistently required aggressive goals, but at the same time has strived to be mindful of the rate impact that conservation programs have on customers. The Commission has accomplished this through the use of the RIM test in tandem with the participant test to screen potential

DSM measures, to avoid undue high utility rate impacts, and cross-subsidization of program participants by non-participants. And the Commission should continue this balanced approach in this proceeding.

Tampa Electric has engaged in a coordinated, a comprehensive, and thorough process to develop aggressive yet reasonable DSM goals consistent with the provisions of FEECA and the Commission's goal-setting rule.

The counter proposals, to the extent offered, appear to be arbitrarily crafted made-up goals designed to pursue an overarching environmental agenda that has no concern whatsoever for the rates of the electric customers in Florida or the economy of this state. For these reasons, and for the details outlined in my Rebuttal Testimony, Tampa Electric urges the Commission to soundly reject the proposals of SACE, the Sierra Club, and EDF in setting goals and approve the proposal put by Tampa Electric Company.

Thank you.

MR. BEASLEY: We tender Mr. Bryant for cross-examination.

CHAIRMAN GRAHAM: Are you sure? (Laughter.)

Okay. OPC.

MR. SAYLER: No questions.

CHAIRMAN GRAHAM: Department of Ag?

MR. HALL: No questions.

CHAIRMAN GRAHAM: NAACP?

MR. DREW: No questions.

CHAIRMAN GRAHAM: FIPUG?

MR. MOYLE: No questions.

CHAIRMAN GRAHAM: Okay. Sierra Club.

MS. CSANK: Thank you, Mr. Chairman.

CROSS EXAMINATION

BY MS. CSANK:

Q. Hello, Mr. Bryant.

A. Good afternoon.

Q. How are you?

A. I'm doing well.

And yourself?

Q. I'm doing all right. Thanks.

A. Good.

Q. You know, I've spent a lot of time thinking about the best way to analogize or come up with an analogy for energy-efficiency programs, and your analogy to the person who's running out of gas and driving down the road is an intriguing one. So I'd like to spend a little bit of time on that.

Could you please turn to Page 14 of your testimony?

A. Okay.

Q. Lines 21 down, I'll read them to you and you let me know if I've got it right.

A. Sure.

Q. You say, "Anyone driving down the road with little gasoline left in the tank would start looking at the prices posted at different gas stations when deciding where to fill up, especially when two stations are next to each other, easily accessible, and one is posting a rate per gallon that is less than the other."

Let's take the analogy and go back to the realm of the power sector. TECO's customers, it's not as though they have the option of selecting that next supply-side option versus the next demand-side option and comparing price, or do they?

A. That's correct.

Q. So it's your company that makes that decision for them with guidance from this Commission?

A. That's correct.

Q. And so in certain respects your customers are beholden to you to select an array of services that meets their needs at adequately low prices, reliably and so on?

A. Yes.

Q. Okay. And you have been here earlier when I have questioned other witnesses regarding the Clean Power Plan?

A. Yes.

Q. And it's your testimony that the company prefers to wait, have the rule finalized, and then react to that finalized rule?

A. We think that's great wisdom.

Q. And when you are planning for your consumers, your customers, you do plan for the various services that you can provide to meet their needs, right?

A. Yes.

Q. And so that factors in a whole array of future conditions that the company anticipates, right?

A. Yes.

Q. And so the Clean Power Plan would, as proposed, set mandatory requirements for the power sector, mandatory carbon reductions, right?

A. Yes.

Q. And that regulation proposal also identifies energy efficiency as being a relevant consideration for compliance with the plan?

A. Yes.

Q. So it's relevant?

A. As proposed, yes.

Q. And this proceeding, we're talking about energy efficiency here, right?

A. Yes.

Q. And it's determining how much energy efficiency programs, demand-side management programs are going to be available to the company's consumers for the next ten years?

A. Right.

Q. 2015 to 2024?

A. Right.

Q. And the State of Florida's plan for meeting the federal carbon regulation, that's in the summer of 2016, right?

A. Uh-huh.

Q. In other words, it's during this goal-setting time period?

A. Yes.

Q. And if you were here earlier you probably heard me talk about ramp-up periods, and the amount of time it would take if the company were to choose energy efficiency as a compliance option.

Would you agree that it would take a number of years to develop, seek regulatory approval for, and implement expanded programs, should the company choose that route?

A. No.

Q. Please explain.

A. All of us, but specifically Tampa Electric, have programs that it's delivering into the marketplace right now. And so to suggest that you would start at a very low level and have to ramp that up in order to get to a level that would begin to achieve the goals, whatever those proposed goals may be, is not going to take that long.

There is experience that is working for us. And I will take you back to an example that this Commission exercised in the 2004-2005 time period and show you the expeditious way that something that does come along can be handled very quickly. In 2004 and in 2005, we had a series of hurricanes strike the State of Florida. Three, I believe, or four in 2004, and then Wilma and another one in 2005.

The wisdom of the Commission was to look at our systems across the various utilities and examine whether or not those systems were adequate to handle those kinds of storms on a going-forward basis, and that began in early 2006, if I'm not mistaken. By the end of 2006, we had a wood-pole inspection program, and we were well on our way to some rule development for some three-year hardening plans as well as a ten-point hardening plan, as well.

And by the end of 2007, all three of those mechanisms were in place and implemented so that the system could be hardened. And so that's a reaction that this Commission took that Tampa Electric and the other utilities were a part of that demonstrates that we do not drag our feet when there's a requirement before us. We can do that.

Q. Thank you, Mr. Bryant.

So if I recall correctly, during your direct testimony you had told us a bit about Tampa Electric's experience implementing the low-income program and some fits and starts there. Could you remind us, please, when that program began?

A. There's two elements to that program. It began with a very simple contacting type activity in 2008, which originally I did not recognize, but upon looking at the documentation dates when it started. But it began in earnest with the agency outreach and the educational efforts that I explained, I believe yesterday in the latter part of 2010, and then it is ongoing today.

Q. So a number of years have passed since that program has been in place, and I believe you cited a six-percent penetration rate?

A. I don't recall.

Q. Well, the record will be clear on it, but I do recall you citing a fairly low penetration rate, which is understandable given the relative nascency of that program. I think it illustrates the fact that programs, expanded programs, especially for harder to reach customers, may take some time.

A. There's a significant difference in the initial program in terms of its initial educational effort versus what is on the street now, and what will remain on the street. And so I would disagree with that statement.

Q. Okay. In terms of your company's thinking about the Clean Power Plan, it's your testimony that it's not relevant to goal-setting for the next ten years?

A. That is correct, and I can explain why.

Q. Please don't yet.

A. Okay.

Q. Is your company studying the proposal?

A. I'm sure they are. I'm just not a part of that study.

Q. Is that something you would typically be aware of if they were studying it?

A. Only to the extent that I would be involved in environmental activity, which I'm not. That's being studied by the environmental planning folks, and my understanding is that they are beginning their evaluation of that process. But that's the limit of my knowledge of what they're doing.

Q. That's fair. One second.

So going back to thinking about compliance with the federal proposal, and you say you're not aware of any internal studies or identification of relative costs of various resources to comply with the proposal, right?

A. I'm not aware of any resources outside of the energy efficiency activity that has been contemplated on my part and the folks that work with me. What they are doing from a resource planning perspective, those I'm not aware of.

MS. CSANK: Mr. Chairman, I'd like to circulate an exhibit.

CHAIRMAN GRAHAM: Sure. We will give this 196.

(Exhibit Number 196 marked for identification.)

MS. CSANK: Mr. Chairman, may I approach the witness?

CHAIRMAN GRAHAM: Sure.

THE WITNESS: Thanks.

CHAIRMAN GRAHAM: Do you have a description for this exhibit?

"EPA Clean Power Plan Compliance Cost Estimates."

MS. CSANK: And, Mr. Chairman, I had anticipated using this exhibit with Witness Borsch, so the cover sheet should be corrected to show that I'm using it for Witness Bryant.

CHAIRMAN GRAHAM: All right.

MS. CSANK: Thank you.

BY MS. CSANK:

Q. Do you have that before you, Mr. Bryant?

A. Yes.

Q. And so this is an excerpt from EPA's proposed regulation as it appeared in the *Federal Register*, is that correct?

A. I would assume so. I have not seen this.

Q. Let me help you along. If you look at the top of the page --

A. Uh-huh.

Q. -- do you see where it says *Federal Register, Volume 79*, and so on?

A. Yes.

Q. And it's dated June 18th, 2014?

A. Yes.

Q. And it's identified as a proposed rule?

A. Right.

Q. And the pages are 34875 and 34857?

A. Yes.

Q. And I believe your copy is highlighted?

A. Barely, but I can see it. Yes, it is.

Q. Good. And so --

MR. BEASLEY: Mr. Chairman, I'd like to lodge a preliminary objection to this document. It's something that the witness said he has not seen, and it looks like an excerpt and not the entire document. But I just wanted to make that as a preliminary objection.

CHAIRMAN GRAHAM: Duly noted.

MS. CSANK: Mr. Chairman, Sierra Club will gladly enter into evidence the entire rule, which exceeds 600 pages. We just figured we'd point to the relevant portions.

CHAIRMAN GRAHAM: I don't know if that's necessary yet. And if that is the case, I'm sure that is something we don't have to necessarily enter as an exhibit. That's easily found.

MS. CSANK: Thank you.

BY MS. CSANK:

Q. And so in developing this proposal, let me represent to you that the EPA did think very carefully and developed certain estimates nationally for how much various resource options would cost to comply with the proposal?

A. Uh-huh.

Q. And you're familiar with the key four building blocks that EPA identified?

A. I'm familiar with the one that I'm responsible for at this point in time in terms of energy efficiency.

Q. Great. And so then if you -- bear with me one second, I'm having technical issues.

Okay. So on Page Number 34875, that first paragraph.

A. Yes.

Q. Do you see the highlighting there?

A. Yes.

Q. Okay. So I'm going to read you the two highlighted portions, and you tell me if I have it correctly.

"To estimate the reductions in power system costs and CO_2 emissions associated with the best practices level of demand-side energy efficiency described above, the EPA analyzed a scenario incorporating the resulting reduction in electricity demand and compared the results with the business as usual scenario."

Skipping down -- did I have that right?

A. You have it right. The part I'm missing is the stuff that's described above. I don't know what's described above, because this is the first page of the document that I have.

Q. Fair enough. I'll just get to the second portion and then we can go back to that.

MR. BEASLEY: Mr. Chairman, I, again, object.

This is being used for purposes of allowing them to testify as opposed to Mr. Bryant. I didn't hear a question other than have I read it right.

CHAIRMAN GRAHAM: I think that's coming. I think she just wants to make sure that the question that's going to follow this is in the record.

MR. BEASLEY: Thank you.

MS. CSANK: Thank you, Mr. Chairman.

BY MS. CSANK:

Q. So then that paragraph goes on to say that EPA found that the average cost of CO_2 reductions achieved ranged from \$16 to \$24 per metric ton of CO_2.

Did I get that right?

A. Yes.

Q. So let me represent to you that EPA made a series of calculations, represented them as conservative, and that yielded this calculation for how much the best practices level of demand-side energy efficiency would yield.

And if we compare that -- if you go on, please, to the next page, and here, again, I will read and you please verify that I have it right. It says, "We," and here that means EPA, "estimated that the cost of CO2 reductions achievable by substituting electricity from an existing NGCC unit for electricity from an average coal-fired steam EDU would be approximately $30 per metric ton."

Do you see that?

A. Yes.

Q. Okay. So in other words, EPA's calculations compared two options, and we can see that there are many options that EPA identified, right?

A. Yes.

Q. And so what I'm interested in here is not the truth of the numbers, but the relationship. So energy efficiency, it sounds like, by EPA's calculation is coming in at nearly half the cost of redispatching to natural gas.

Do you follow that?

A. Is that a question?

Q. Yes.

A. Okay. Well, let me share this. I can read these three highlighted areas that you have given me, I can see the numbers, and I can validate that these numbers are different.

On the first page there's 16 to $24 per metric ton; on the second page it talks about being $30. The relationship between them, what the impact is on our system is not a part of my knowledge in terms of my working capacity with this company. And all I can do is say that arithmetically there is a difference in those numbers.

Q. Okay. And let me ask you what is, I think, fair here, which is what you do know about and why TECO's numbers are different.

A. What numbers did TECO present that are different?

Q. Well, in terms -- the company's proposed goals, how were they derived? You assumed certain --

A. All of my direct testimony went into great detail on exactly how those were derived. And you deposed me, and I shared them there. And so I'm hoping -- I'm not teasing when I say this, but I'm hoping you have good recollection.

Q. Right. And so when you developed your achievable potential and then took that and inserted it into your resource planning, the company's resource planning, what you were inserting was the potential left behind after a certain number of screens that you have identified in your deposition and testimony took place, is that right?

MR. BEASLEY: I object. This doesn't go to his rebuttal testimony. This was all covered in his direct testimony.

MS. CSANK: Mr. Chairman, Witness Bryant in his rebuttal testimony recommends to this Commission to not consider the cost-effectiveness of energy efficiency as a carbon reduction resource. And my line of questioning is simply getting at the basis for that recommendation.

CHAIRMAN GRAHAM: Okay.

MS. CSANK: And we have established the relevance of energy efficiency to carbon pollution and the proposed regulation to the time frames that are being under consideration here.

CHAIRMAN GRAHAM: Okay.

MS. CSANK: Thank you, Mr. Chairman.

A. I think as you commented there, I hear two or three questions contained within what you said. So let me state a few facts and then see if this answers your question or questions.

My point in identifying what is

cost-effective and relative to what we have done from the standpoint of setting our goals and how that relates to greenhouse gas is the fact that, very simply, it is proposed legislation; it is not known; there is a comment period that is open, and there is going to be litigation that is going to occur. They are lining up outside the court chambers right now, so to speak. And so to determine exactly when it's going to happen and how it's going happen and the measure at which it is going to happen, I think, is premature.

There is no supposition whatsoever that should be made that just because this potential regulation may occur during the goals-setting period that we are in, that because we don't consider it right now we are then hamstrung and are no longer able to consider what should be done.

As I have stated with the hurricane hardening activity, this Commission deemed it appropriate to start that in 2006. It started, and by 2007 three initiatives were going. The rule for DSM setting goals says that no later than every five years DSM goals are to be reviewed by this Commission.

Now, if it says it's no later, then that would suggest that in theory this Commission could review goals on an annual basis. And so there is plenty of time; this is not a fire sale; we can take a measured approach so we do not burden customers with additional rates that are inappropriate at this point in time.

We did that as a collective group of utilities and the Commission five years ago when we looked at the cost of carbon then with the expectation that that cost would perhaps come very quickly. In fact, it did not come. We are now five years down the road from that, and we are yet to see any of that activity occurring.

So the question becomes now, in terms of the rate impact on customers, what customers had to burden themselves with because of this incorrect approach that we now can look back and see that we took five years ago. And the reality for Tampa Electric for five years is approximately $37 million. I estimated that difference at the time of the hearing to be just a little north of $80 million over ten years. For five years it's $37 million, so I was pretty close on my estimate for five years.

What I'm suggesting is let's wait for it to be in concrete, so to speak, and then when we see what it is, when we know when it's going to have to be applied, when we know the level of need that's going to be contained in that rule, then we can react accordingly and quickly as we have done in the past when there's needs that have arisen.

Q. Thank you, Mr. Bryant.

So are you suggesting that the Commission may want to reopen goals in a year or two, or every year?

A. The Commission has the discretion to open the goals proceeding at any point in time they want, it's stated in the rule, but no later than every five years. And if they deem it necessary for this carbon situation to be a part of a goals proceeding, it is their prerogative in which to do what.

Q. And so Florida's plan as proposed under the regulation for the Clean Power Plan is due the summer of 2016. So you would think that revisiting the amount of energy efficiency that's cost-effective to meet that rule --

A. I have confidence in this Commission being informed and knowing when it is appropriate to look at conservation as it relates to conservation's contribution that it needs to make or may not need to make to the greenhouse gas. I'm suggesting we just don't need to do it prematurely and then burden ratepayers with monies spent that they should not be spending.

Q. So is TECO's position that the Commission should revisit goals after the rule is finalized in 2015?

A. I think it will be the discretion of this Commission to decide how to do it. It could be in a broader perspective, I do not know. But if I understand correctly, there are four elements to the proposal at this point in time, one of which is energy efficiency. And so there, perhaps, may need to be some other venue in which all of that is reviewed, I do not know, but I have confidence.

Q. And so TECO has no position on that?

A. That's correct.

Q. Okay. And then just going back to those numbers we were talking about earlier comparing energy efficiency as compared to redispatching from coal to gas. Those numbers show that energy efficiency is far cheaper than burning more gas, so why today in your proposed goals are you suggesting less programs or less energy efficiency and more natural gas burning?

A. Because additional DSM at this point in time when you look at our resource plan is not cost-effective. We are putting forth what is cost-effective on a RIM basis with participant passing, but on a participant as well passing basis, so that ratepayers pay for exactly what they are getting on a nonsubsidizing environment.

Q. And also on a basis that eliminates the two-year measures, those cost-effective measures that are --

A. Every aspect that I included previously in talking about how we set our goals, that is correct. And our proposal contains all of that information, yes.

Q. Would you please say that again?

A. I said every aspect of what has been proposed in the past or as part of my direct testimony is exactly what we are putting forth.

Q. Right. So it's a goal that examined RIM-based two-year screened potential against those supply-side options?

A. That's correct.

MS. CSANK: No further questions.

Thank you, Mr. Bryant.

CHAIRMAN GRAHAM: Thank you.

SACE.

MS. TAUBER: No questions, Mr. Chairman.

MR. FINNIGAN: No questions, Your Honor.

CHAIRMAN GRAHAM: Thank you, sir.

Staff.

CROSS EXAMINATION

BY MS. TAN:

Q. Good afternoon.

To be clear, Mr. Bryant, TECO did not account for the projected CO2 compliance costs in its preliminary RIM and TRC-based case screening analyses, is that correct?

A. That's correct.

Q. And why did TECO choose not to perform a sensitivity with the CO2 price?

A. For two reasons. As we began this process, we collectively, meaning the Commission staff and the utilities, it began back in June of 2013, and at that point in time the option was made available to not include CO2 cost.

There was a request for sensitivity to be included, which we did, but if we felt that there were reasons to not include it, then we were given that option to not include it. And so we exercised that option because of the uncertainty that I was describing just a few minutes ago in terms of the timing and things of that nature.

Q. Great. Thank you.

In your rebuttal testimony you discuss the two-year payback, I'm going to switch gears, to evaluate free riders.

Is it your experience with customer behavior that TECO's residential class implements DSM measures with payback periods of two years or less?

A. To know exactly how many people do and do not, we don't know. What we do know is that there are measures that are very attractive. There are measures that we make available through educational efforts that I have previously described, such as the audit, such as the energy education awareness, such as the advertising, the direct mail pieces, in general the media efforts that we put forth. We advertise those. We make them known, and we make them available. But the greatest tool is to do it on a case-by-case basis when we can be into the homes or the businesses.

Now, do we know whether they implemented them or not? No, we do not. But the rule requires us to use a mechanism to evaluate free ridership. And so we simply have used that mechanism which has been prevalent since about 1991, and that's the two-year payback screen. So that's where we are at with that particular issue.

Q. And would it reflect the same for TECO's commercial and industrial customer classes?

A. Correct.

MS. TAN: Staff has no further questions.

Thank you.

CHAIRMAN GRAHAM: Commissioners?

Redirect.

MR. BEASLEY: I have no redirect, Mr. Chairman.

But if I may, while Mr. Bryant is still on the stand, I wanted to convey to you, if you didn't know already, that he is getting ready to retire next month. And he started with the company in 1981.

THE WITNESS: Woo-hoo.

(Audience laughter.)

MR. BEASLEY: Someone said yesterday that Mr. Bryant has for decades served as our team leader in the area of implementing the Florida Energy Efficiency and Conservation Act. He has done just that, and has helped develop and implement goals and programs to further the act.

His team leaders wanted to express today that they're going to really miss his expertise, his tenacity, and his institutional knowledge, and we want to wish him all the best in the future.

(Audience applause.)

THE WITNESS: I appreciate those kind words.

I would leave with one charge. I'm becoming only a ratepayer on a fixed-income, and I would appreciate you managing rates with downward pressure.

Thank you.

(Audience laughter.)

CHAIRMAN GRAHAM: Hold on a second. We still have a -- he has no exhibits. Do you have an exhibit?

MS. CSANK: Yes, Mr. Chairman.

The Sierra Club moves to enter -- and forgive me, I've lost track of what number we are on.

CHAIRMAN GRAHAM: 196.

MS. CSANK: -- Exhibit 196 into the record.

CHAIRMAN GRAHAM: Any objections?

MR. BEASLEY: No objections.

MR. MOYLE: FIPUG would object to this exhibit coming in. I mean, I think it is coming in for the truth of the matter asserted. And while as Mr. Guest pointed out the other day, yes, you can do that if it is supplemental, I don't think this supplements anything. It's hearsay, and we would object.

MS. CSANK: Mr. Chairman, it's a government document with all the requisite indicia of authenticity. And Sierra Club offered it to, indeed, supplement testimony that was offered on greenhouse gas regulation, so I believe it meets the standard.

CHAIRMAN GRAHAM: I don't believe it's hearsay. I don't have a problem. I guess if you would like they can include the entire report into the record, or if you want just this two pages?

MR. MOYLE: No, I'm okay. I wanted to note the objection, but I don't feel a need for the whole report.

CHAIRMAN GRAHAM: Duly noted. Okay. We'll enter 196 into the record.

MS. CSANK: Thank you, Mr. Chairman.

(Exhibit Number 196 admitted into the record.)

CHAIRMAN GRAHAM: Okay. We have one last rebuttal witness. Gulf.

MR. GRIFFIN: We would call Mr. Floyd.

CHAIRMAN GRAHAM: Mr. Bryant, thank you, and congratulations.

JOHN N. FLOYD

was called as a rebuttal witness on behalf of Gulf Power Company, and having been previously sworn to tell the truth, testified as follows:

DIRECT EXAMINATION

BY MR. GRIFFIN:

Q. Good afternoon, Mr. Floyd.

A. Good afternoon.

Q. You're the same John Floyd that testified on direct yesterday, is that right?

A. Yes, I am.

Q. And you were sworn prior to giving your direct testimony, right?

A. Yes.

Q. And you have prefiled rebuttal testimony in this case consisting of 15 pages, is that right?

A. Yes.

Q. Do you have any changes or corrections to that testimony?

A. No.

Q. If I were to ask you the same questions today, would your answers be the same?

A. Yes.

MR. GRIFFIN: Mr. Chairman, I would ask that his Rebuttal Testimony Prefiled be inserted into the record as though read.

CHAIRMAN GRAHAM: We will insert Mr. Floyd's Rebuttal Testimony into the record as though read.

Gulf Power Company

Before the Florida Public Service Commission
Prepared Rebuttal Testimony of
John N. Floyd
Docket No. 130202-EI
Date of Filing: June 10, 2014

Q. Will you please state your name, business address, employer and position?

A. My name is John Floyd, and my business address is One Energy Place, Pensacola, Florida 32520. I am employed by Gulf Power Company (Gulf Power, Gulf or the Company) as the Manager of Energy Sales & Efficiency.

Q. Are you the same John N. Floyd that provided direct testimony on Gulf Power's behalf in this docket?

A. Yes.

Q. Mr. Floyd, what is the purpose of your testimony?

A. My testimony is in rebuttal to the testimony of intervenor Witnesses Mims, Woolf, Rabago and Fine previously filed in this docket.

Q. Do you have any initial observations about the intervenor testimony in this docket?

A. Yes. The testimony provided by intervenor witnesses is voluminous, covers a wide variety of issues both appropriate for this docket and not, and is somewhat difficult to follow. In an effort to focus my rebuttal on the key points in this docket, I will not attempt to address every point of inaccuracy or misunderstanding, but instead respond to what appear to be the main issues. These include the goal recommendations of Witnesses Mims and Woolf, the appropriate cost-effectiveness tests and criteria for setting goals, the goal-setting process, and solar pilots. The absence of a response to any particular argument offered by the intervenor witnesses should not be construed as acquiescence or agreement on my part.

Goal Recommendations

Q. What is your response to Witness Woolf and Mims' recommendations that the Florida Public Service Commission (Commission) establish conservation goals for Gulf Power of 1.0 percent of annual energy sales?

A. I do not believe that these recommendations meet the requirements of section 366.82, Florida Statutes and Rule 25-17.0021, Florida Administrative Code, for developing goals. Specifically, section 366.82(3) requires evaluation of the full technical potential of available energy efficiency and demand-side renewable measures and consideration of four criteria in establishing goals: the costs and benefits to customers participating in the measure; the costs and benefits to the general body of ratepayers as a whole, including utility incentives and participant contributions; the need for incentives to promote both customer-owned and utility-owned energy efficiency and demand-side renewable energy systems; and the costs imposed by state and federal regulations on the emission of greenhouse gases. Rule 25-17.0021(1), in turn, requires that goals be “based on an estimate of the total cost-effective kilowatt and kilowatt-hour savings reasonably achievable through demand-side management in each utility’s service area.” This rule also requires consideration of building codes, which are specific to Florida, free riders, and specific market segments and end-use categories. The intervenors’ recommended goals are not based on the criteria set forth in 366.82(3) Florida Statutes, or the Commission’s rules, but rather on an arbitrary percentage of the Company’s retail sales. Witness Mims does not provide specific numeric goals for energy, summer demand, or winter demand for any of the ten years covered by this proceeding. Witness Woolf only provides a proposed energy goal for the first five years of the ten year period and no specific summer or winter demand reduction recommendations other than using a “simplistic assumption” based upon ratios. Further, the goals recommended by these witnesses are not reflective of a thorough, deliberate process like the one used by the Company to develop proposed goals. These witnesses’ proposed goals do not reflect Gulf Power’s planning process, including the nature and timing of the avoided unit being used in the evaluation of energy efficiency measures associated with development of the Company’s proposed goals. In essence, Witness Woolf and Mims’ recommendations rest on the bare assumption that because a handful of other jurisdictions run DSM programs that save over 1.0 percent of electricity sales each year, then a 1.0 percent goal must necessarily be appropriate for Florida.

Q. Is it appropriate to rely on Demand-Side Management (DSM) achievements in other states as a proxy for setting goals in Florida?

A. No. While the approach is simplistic in its appeal, it ignores many significant factors that differ between states including climates, regulatory frameworks, utility rates, building codes, utility planning processes, and historical DSM achievements.

Q. Do you agree with Witness Woolf and Mims' general characterization that Florida has lagged behind other states with regard to DSM?

A. No. The Commission Staff's own study indicates that Florida's achievements are very much in line with those of other states considering the unique aspects of Florida's climate and customer mix. The study, "Florida Investor-Owned Utilities' Demand-Side Management Achievements Comparative Analysis, January 20, 2011," reveals that Florida utilities generally compare favorably to the peer groups analyzed in the study.

Cost-Effectiveness Tests and Criteria for Goal Setting

Q. What is your response to Witness Woolf and Mims' claim that the Florida Energy Efficiency and Conservation Act (FEECA) mandates use of the Total Resource Cost test (TRC) in establishing DSM goals?

A. Their claim directly conflicts with the plain reading of FEECA and Commission precedent. First, the statute does not specifically name any cost-effectiveness test as being the standard. The statute references aspects of multiple cost-effectiveness tests (Rate Impact Measure (RIM), Participant's Test (PT) and TRC) that are important in goal-setting. These witnesses' suggestions that FEECA mandates the use of TRC and that consideration of RIM is a "moot" issue in this hearing are contradicted by the Commission's own ruling in the previous DSM goals docket. In Order No. PSC-09-0855-FOF-EG (the Commission's 2009 Goals Order), page 15, the Commission concludes:

> "We would note that the language added in 2008 did not explicitly identify a particular test that must be used to set goals. Based on the analysis above, we find that consideration of both the RIM and TRC tests is necessary to fulfill the requirements of Section 366.82(3)(b), F.S."

Q. Do the goals Gulf is proposing fulfill the requirements outlined by the Commission and the statute?

A. Absolutely. Gulf's proposed goals completely meet these requirements as all measures included in the achievable potential pass both the RIM and TRC tests. In addition, they are all cost-effective to the participants who elect to participate.

Q. Witness Woolf goes so far as to state that RIM should never be used to determine DSM cost-effectiveness. Do you agree with this contention?

A. No. I do not agree with this contention. Use of the RIM test has served Florida customers well over many years by supporting significant conservation results while ensuring that non-participating customers are not harmed through cross-subsidization. Moreover, this Commission's own orders and rules clearly require use of the RIM test in evaluating energy efficiency goals.

Q. Do the intervenor witnesses' proposals result in non-participating customers subsidizing DSM participants?

A. Yes. In fact, they are open in their acknowledgment that cross-subsidization will occur. In essence, they suggest that the Commission should not concern itself with cross-subsidies because, with high participation in DSM programs, customer bill savings will offset any rate increases. This suggestion ignores the voluntary nature of DSM programs. Since the launch of Gulf's 2010 DSM Plan, voluntary participation in Gulf's programs only represents 11 percent of the total customer base. Even if customer participation quadrupled, the number of customers realizing bill savings would still be a minority while the majority of customers would experience the upward rate pressure associated with TRC-based programs.

Q. Witness Woolf states that higher DSM goals would lead to very small rate impacts, if any. Is this consistent with Gulf's experience?

A. No. In 2009, Gulf's goals were increased substantially through assignment of the TRC achievable potential as the Company's goal. Since that time, Gulf's associated cost to customers that is recovered through the Energy Efficiency and Conservation Clause (ECCR) has more than doubled. These are new costs to customers that did not exist when goals were set utilizing the RIM and PT to ensure cost-effective DSM was pursued that did not result in cross-subsidy, nor cause upward rate pressure.

Q. The intervenor witnesses have various criticisms of the assumptions and methodology Gulf used in evaluating the cost-effectiveness of DSM measures. Are these valid?

A. No. Stated simply, Gulf's methodology for evaluating the cost-effectiveness of measures in this proceeding is consistent with the process utilized in 2009 and meets the requirements of the Commission rules. While I have not endeavored to address each criticism in detail, there are a couple of specific critiques that I feel compelled to touch upon: CO2 and "Other Program Impacts" (OPIs), also characterized as "non-energy benefits."

Gulf's treatment of CO2 in this proceeding is true to FEECA's statutory language. Specifically, section 366.82(3)(d) requires consideration of "the costs imposed by state and federal regulations on the emission of greenhouse gases." As discussed in my direct testimony, Gulf is not incurring costs imposed by state and federal regulations on greenhouse gas emissions. The intervenors' suggestion that Gulf must consider potential or speculative unquantifiable costs associated with greenhouse gas regulation is not consistent with the statutory language. The Commission's 2009 Goals Order acknowledges as much: "[t]he statute does not define 'greenhouse gases,' nor requires us to consider projected costs that may be imposed." (Order p. 15). I would note that in the 2009 DSM Goals proceeding Gulf included projected CO2 costs in determining the 2009 goal proposals. Ultimately, DSM goals were set based upon assumed benefits of CO2 costs which not only did not materialize during that proceeding, but have not materialized to date. Because these decisions impact the level of DSM expenditures borne by all customers, Gulf does not believe it is appropriate to incorporate non-existent CO2 costs into our cost-effectiveness evaluations in this proceeding.

Witnesses Mims and Woolf both suggest that OPIs should be considered in assessing the benefits of energy efficiency in the goal-setting process. Witness Woolf claims that these benefits should include such things as: increased safety, improved health, improved productivity in schools and businesses, and improved aesthetics and comfort. He goes on to say that these types of benefits are especially important in the TRC test. Lacking any reasonable quantification of these benefits, Witness Woolf suggests a crude adder to the quantifiable benefits of each measure's avoided cost savings. This recommendation is squarely at odds with the otherwise rigorous process used in evaluating cost-effectiveness in this proceeding and should be rejected by this Commission.

Goal-Setting Process

Q. Witnesses Mims and Woolf also criticize the process the Investor-Owned Utilities (IOUs) utilized to determine the technical potential for DSM in their service areas. How do you respond to these criticisms?

A. With regard to Gulf's Technical Potential Study, Gulf followed the requirements set forth in the Order Establishing Procedure (OEP) dated August 19, 2013. The OEP specifies that the 2009 Technical Potential Study should be updated in lieu of a completely new study. Gulf and the other IOUs updated the 2009 Study using available, state-specific data. Many of Witness Woolf's criticisms are aimed toward the integrity of the original 2009 Study. In this regard, he is simply restating arguments that were rejected by the Commission in 2009. With respect to the updated study, both witnesses contend that certain measures and sectors were excluded or overlooked. In fact, at a Commission Staff meeting on June 17, 2013, all parties were invited to provide input on new measures, including Florida-specific data, that they believed should be considered for the updated study. The Southern Alliance for Clean Energy (SACE) provided a measure list without any data, Florida-specific or otherwise, to Commission Staff. A subsequent request from Witness Koch on behalf of the utilities was sent to SACE outlining the measure information needed in order to quantify the potential savings. SACE did not provide any additional information in response to this request. As was the case in 2009, the intervenors have again failed to provide any Florida-specific data necessary to evaluate their proposals. Moreover, while certain measures mentioned by Witness Woolf were not specifically addressed in the updated study, the underlying technology associated with many of those measures was included in the study. For example, the measures that would facilitate a “net-zero building” like HVAC, insulation and lighting are included throughout the study. For all of the foregoing reasons, the Commission should reject the intervenors’ unfounded critique of Gulf’s technical potential analysis.

Q. Witnesses Mims and Woolf recommend abandoning the practice of using a two-year payback criterion as a method to address free ridership. Do you agree with this recommendation?

A. No. I continue to believe that this criterion is an objective, reasonable and efficient method of addressing free ridership during the goal-setting process as required by Commission rule.

Q. Is Witness Mims’ recommendation to use evaluation, measurement and verification (EM&V) to account for free ridership in this goal-setting process reasonable?

A. No. As is the case with many of Witness Mims’ recommendations, she is quick to criticize the Company’s plan without offering reasonable and achievable alternatives. While conducting additional EM&V may be an approach to quantify free ridership, there is simply not time to perform EM&V and use the resulting data to account for free ridership in this proceeding. Witness Mims offers no alternative that is usable. Following her recommendation would leave Florida customers with energy efficiency goals that do not account for free ridership at all. In addition to causing higher costs for Gulf's customers, such a result would not be in keeping with Rule 27-17.0021(3)'s directive to address free ridership at the goal-setting stage.

Q. Witness Mims claims that incentive levels were used to screen measures from the Technical Potential Study. Is this an accurate representation?

A. No. Witness Mims completely mis-characterizes the manner in which incentives are set in the process. Gulf did not screen out any measures based on incentive levels. As explained in my direct testimony on page 17, incentive levels were set for all measures in the economic potential in order to maximize adoption of all cost-effective measures.

Demand-Side Renewables

Q. Witnesses Rabago and Fine have made a number of policy recommendations concerning renewable generation including recommendations related to valuation of solar energy. Do you have any observations or concerns regarding these recommendations?

A. Yes, particularly with respect to the witnesses' recommendation that the Commission direct the utilities to develop and utilize a Value of Solar methodology (VOS). The VOS methodology introduced by Witnesses Rabago and Fine are new concepts for assigning value to distributed solar resources. Adoption of these new concepts would represent a sweeping change in policy for Florida and such changes should not be considered without appropriate review and evaluation, neither of which have or can take place in this docket. As illustrated by the e-Lab Rocky Mountain Institute "study of studies" attached to Witness Fine and Rabago's testimony: (1) the proper valuation of distributed solar generation is subject to "heated debate"; (2) to date, there is no single study which comprehensively evaluates the benefits and costs of solar distributed generation; (3) "there is broad recognition that some benefits and costs may be difficult or impossible to quantify"; (4) "there is a significant range of estimated value across studies driven primarily by differences in local context, input assumptions and methodologies"; and (5) there remain "key differences" in how to value the capacity benefit of distributed solar generation and significantly more disagreement on the "overall approach to estimating grid support services" (Exhibit JF-3, KRR-2 page 4). In spite of all of this admitted debate and uncertainty, the intervenors are not only asking this Commission to decide in this docket that VOS is appropriate as a matter of policy, they further recommend a methodology similar to a Minnesota protocol as the model for Florida. In addition to representing a fundamental shift in policy, adoption of these recommendations could potentially require modifications to existing legislation, rules and Commission policies such as those involving net-metering. For example, a cursory review of the Minnesota methodology attached as Exhibit KRR-4 to Witness Rabago's testimony reveals that this methodology is statutorily based and is an alternative to net-metering which mandates that solar customers are billed for usage under their existing applicable tariff and receive VOS credit for their gross solar production (Exhibit KRR-4, page 9).

While further evaluation of appropriate policies to encourage the development of demand-side renewables may be warranted, these recommendations are well beyond the scope of this proceeding and therefore should not be adopted.

Q. Do you support the intervenors' recommendation to continue the solar pilot programs?

A. No. The intervenors provide little factual support for continuation of the programs. As demonstrated in my direct testimony, each of the solar measures analyzed failed the Commission-approved cost-effectiveness tests. The intervenors do not dispute this evaluation. Instead, they assume that the pilots would be cost-effective under some presumed "Value of Solar" analysis that has not been adopted in Florida.

Q. Witness Fine claims the utilities used a two-year payback period to evaluate the cost-effectiveness of the distributed solar photovoltaic (PV) program. Is this correct?

A. No. Based on the evidence we have presented in this proceeding, I can find no reason why Witness Fine would make such an assumption. Gulf evaluated the benefits of the distributed PV technologies over 30 years in the same way that all energy efficiency measures were evaluated.

This approach considered the benefits of the distributed PV technology far beyond the two years he claims.

Q. Witness Rabago claims transmission and distribution benefits were only captured for ten years. Is this the case?

A. No. Witness Rabago appears to be confusing Gulf's Transmission and Distribution (T&D) planning process (which spans ten years into the future) with Gulf's process for evaluating cost-effectiveness. As demonstrated in Gulf's response to SACE interrogatory No. 21, which was provided to SACE on May 7, 2014, Gulf's evaluation process for solar PV assigns avoided T&D benefits over the 30-year evaluation period.

Q. Witness Rabago contends that none of the utilities apply the same sophisticated avoided cost analysis to PV as they do for other DSM programs. Is this true in the case of Gulf?

A. No. Gulf utilizes the same sophisticated analytical methods to value the benefits of PV as other DSM technologies. This analysis includes time sensitive demand benefits during peak conditions, avoided energy benefits, T&D benefits, and adjustment for losses that scales up each of these benefits to reflect impacts at the generator.

Q. What about the location-specific analysis that Witness Rabago mentions?

A. Even under the presumption that some distributed generation benefits are location-specific, for the purposes of evaluating the cost-effectiveness of customer-sited distributed PV installations, it is impossible to predict exactly where these might occur on the utility system. Therefore, these considerations are not practical for evaluating the cost-effectiveness of distributed generation within the scope of this proceeding.

Conclusions

Q. Should the Commission adopt the intervenor witnesses' recommendations in this docket?

A. No. The intervenors' recommendations in this docket lack thoughtful analysis, do not reflect consideration of the utility planning process as required by FEECA and Commission rules, and contain broad generalizations based on DSM policies of other jurisdictions without any regard to Florida-specific conditions or requirements. Further, while the intervenors are quick to criticize the processes used by Gulf, their critiques lack substantive solutions. Gulf's proposed goals were developed utilizing a rigorous process that reflects the Company's most recent planning assumptions, meets the requirements of FEECA and Commission rules, and should be adopted by this Commission.

Q. Does this conclude your testimony?

A. Yes.

BY MR. GRIFFIN:

Q. And, Mr. Floyd, did you have any exhibits to your Rebuttal Testimony?

A. No, I did not.

Q. But we've circulated an exhibit today which was prepared in response to a request by Staff yesterday during your direct testimony. Are you familiar with that?

A. Yes.

Q. And what is that exhibit?

A. This exhibit is titled "Annual TRC Achievable Potential," and it provides the year-by-year energy and demand savings projections associated with the TRC achievable potential.

MR. GRIFFIN: Mr. Chairman, I'll tell you that we circulated an electronic copy of that to the docket this morning about 7:00 a.m. to give folks a chance to look at it.

This is the paper copy, obviously, but we would like Mr. Floyd to be available to answer questions about it. There were some questions raised as to that issue yesterday, and so that's why we're submitting it now.

CHAIRMAN GRAHAM: Sure.

MR. GRIFFIN: Okay.

BY MR. GRIFFIN:

Q. With that, Mr. Floyd, would you please provide your summary?

A. Yes. Good afternoon, Commissioners.

The goals proposed by SACE and Sierra Club in this docket should not be adopted. Both Witness Mims and Woolf proposed goals that do not meet the requirements of FEECA or the Commission rules.

Their proposals are not based on an evaluation of any Florida technical potential. They don't reflect Gulf Power's planning process, including the nature and timing of our next avoided generating unit, and they don't reflect the evaluation of end use categories and customer segments. Instead, their proposed goals rest on the bare assumption that DSM achievements by a handful of other states are an appropriate proxy for setting goals in Florida.

In addition to ignoring FEECA itself, this simplistic approach ignores a variety of important factors that differ between jurisdictions, including climate, regulatory frameworks, and historical DSM achievements. Witness Mims and Woolf also offer several criticisms of the process used by Gulf and other FEECA utilities to develop proposed goals. These critiques should be dismissed, as well.

Put simply, Gulf's methodology for developing goals is consistent with the Commission precedent and rules. Gulf's updated technical potential assessment reflects a reasonable set of energy efficiency measures that are applicable in our service area. The corresponding cost-effectiveness evaluations capture the full benefits and costs of these measures compared to Gulf's next planned generating unit.

Contrary to Witness Mims' claims that two-year payback incentives were used to eliminate measures, Gulf's proposed goals utilize incentives to maximize adoption. Gulf's proposed goals make sense for the general body of customers, avoid cross-subsidies from customers who choose not to participate, and don't put upper pressure on rates.

In contrast, the Intervenors' proposed goals will result in cross-subsidies and higher electric rates for all of Gulf Power's customers.

The Commission should not adopt the recommendations by SACE and EDF witnesses related to demand-side renewables. Witness Rábago and Fine recommend adoption of a value-of-solar methodology. Yet the studies attached to their own testimony show that this methodology is still subject to much debate and uncertainty. Adoption of these new concepts would represent a sweeping change in policy for Florida that goes well beyond the scope of this docket.

Several of the intervenors witnesses also recommend continuation of the solar pilots. My testimony demonstrates that these pilots fail both the RIM and TRC cost-effectiveness tests. Gulf does not believe it is appropriate for our general body of customers to continue to subsidize these noncost-effective programs. Thank you.

MR. GRIFFIN: We tender Mr. Floyd for cross-examination.

CHAIRMAN GRAHAM: Thank you.

OPC.

MR. SAYLER: No questions, Mr. Chairman.

CHAIRMAN GRAHAM: Agriculture.

MR. HALL: No questions.

CHAIRMAN GRAHAM: NAACP.

MR. DREW: No questions.

CHAIRMAN GRAHAM: FIPUG.

MR. MOYLE: No questions.

CHAIRMAN GRAHAM: Sierra Club.

MS. CSANK: Thank you, Mr. Chairman.

CROSS EXAMINATION

BY MS. CSANK:

Q. Hello, Mr. Floyd.

A. Hi.

Q. How are you?

A. I'm good. Thank you.

Q. Glad to hear.

So in your rebuttal testimony, you state that Gulf's proposed goals were not based upon assumed benefits of CO2 costs, is that right? That's how you phrased it.

A. Yes.

Q. In other words, you didn't take into consideration CO2 costs?

A. We assumed no costs for CO2 in our evaluation, that's correct.

Q. Why is that?

A. Well, Gulf is currently not experiencing any costs associated with CO2, and so we did not believe that it was appropriate to speculate about a cost that we are not currently incurring and have no way to quantify what that would be.

Q. And you were here earlier when I questioned the other utility witnesses today, right?

A. Yes, I was.

Q. And do you agree that energy efficiency programs -- to ramp up energy efficiency programs takes a number of years to get them from conception to regulatory approval through implementation?

A. Actually, no, I don't agree with that. If you look at Gulf's own history just in the last four years, I think we demonstrated that we could ramp up very quickly.

Q. May I just pause you there?

A. Yes.

Q. Can you identify for us the amount of ramp up that occurred over those four years?

A. Sure.

Q. Where you begin and where you ended would be helpful.

A. Well, I'll do it this way. In 2010, the Commission approved goals for Gulf Power that were approximately 10 times higher than the energy reduction goals that were in place through 2009. Our DSM plans associated with those goals were approved, I believe, in the spring of 2011, and by 2012 we were achieving those goals.

Q. I'm sorry, and what were those goals? You were already achieving ten times as much as you were doing previously?

A. Our goals that were approved in 2010 were ten times higher than our goals that had been in place up until that time.

Q. So from 2011 to 2012 you increased your energy efficiency savings achievement ten-fold?

A. I can't say that we achieved a ten-fold increase in savings. I'm saying that our goals that were approved in 2010 were ten times higher than they had been, and by 2012 we were achieving those goals on an annual basis.

Q. In other words, that new ten times greater goal was phased in, right? It wasn't as though you went from one year to the next and increased ten-fold your program.

A. No. Actually, there was quite a huge ramp up in a very short period of time, just over the -- between the time that our programs were approved and the time that we achieved that goal in 2012.

Q. So a ten-fold increase in the course of a year?

A. Again, I can't say exactly what the increase was in our performance, but I'm just saying that the goal was increased ten times. We put programs in place responsive to the Commission orders, and we were achieving those goals by 2012. So within approximately one year of the time that the plans were approved.

Q. Thank you for that clarification. And so you have sustained that level of growth over the last five years, or the remainder of the goal period?

A. Yes, we have.

Q. And this goal-setting period is for 2015 through 2024?

A. Yes, that's correct.

Q. And there's no -- if the Commission were to decide for your goals to endure, there's nothing that would impede you from maintaining that same level of growth?

A. It would be our intention to achieve the goals that the Commission sets. I can't speculate as to what impediments we might face, but it would be our objective to achieve the goals the Commission orders for us.

Q. I see. And has your company studied the implications of the proposed federal carbon regulation for Gulf's system?

A. I can't speak to what all our company has studied about that. Certainly I'm aware that the proposed rule has been released.

Q. Are you generally familiar with regulatory developments related to demand-side management, is that part of your job responsibilities?

A. Yes, it is.

Q. And so when you say your company, do you mean Gulf Power or Southern Company at large?

A. Both.

Q. And you are not aware of any effort regarding planning for the Clean Power Plan?

A. Again, I'm aware that the rule exists. I'm aware that it's being evaluated, but I'm not aware of any specific assessments that have been made at this point in time.

Q. And you're aware of this Commission's comment period for the Florida-specific implementation of that regulation, right?

A. I believe I understood it to be June of 2015.

Q. Actually, I was referring to -- the Florida Public Service Commission has an August 8th deadline, I believe, for comments on Florida-specific implementation of the proposal.

A. Oh, I'm not aware of that, no.

Q. Okay. But you are aware that the rule is scheduled to be finalized next summer, and Florida's plan to comply with that is due summer of 2016?

A. That's my general understanding, yes.

Q. And this proceeding concerns the next ten years and the next goal-setting doesn't happen until 2019?

A. Well, not necessarily. The FEECA statute requires that at least every five years that the goals be readaddressed by the Commission, but they could be addressed at any point that the Commission deems necessary, or as any other conditions change that they could be readdressed at that time.

Q. So is it Gulf's position that the Commission should revisit goals after the rule is finalized?

A. Well, it's our position that the Commission has the discretion to readdress the appropriate energy efficiency goals at any time that the Commission deems that that's the right thing to do.

Q. And you agree with me that the next goal-setting, which is the default, is in 2019, which is three years after Florida's plan is due for compliance with the proposal?

A. I would agree that if the maximum time were utilized before the conservation goal-setting docket were done again, that would be in 2019, yes.

Q. And you are aware that the costs identified -- that energy efficiency is a consideration in the Clean Power Plan, that EPA identifies that as a compliance option?

A. My understanding is it is one of the four building blocks that are outlined as ways that each state could achieve the targets that are established, yes.

Q. And have you studied that particular component of the rule as it relates to your responsibilities?

A. Not in great depth, no.

Q. Okay. And you were here when I discussed with Witness Bryant the EPA calculations for energy efficiency as a compliance pathway as opposed to redispatch to natural gas as a compliance pathway?

A. Yes, I heard that.

Q. And do you have that exhibit that I shared with Mr. Bryant?

A. No, I don't believe I do.

MS. CSANK: Mr. Chairman, may I approach the witness?

CHAIRMAN GRAHAM: Yes.

BY MS. CSANK:

Q. Do you see that?

A. Yes.

Q. So, again, it's an excerpt from the EPA proposal. And on one page you see set forth EPA's calculation for the range for using energy efficiency for CO2 reductions, and that range is between $16 and $24. That's the first page. Do you see that?

A. Yes.

Q. And then on the second page, on the right-hand side, you see in the top full paragraph EPA's calculation for redispatch to natural gas, and that figure is $30 per metric ton. Do you see that?

A. Yes, I see that.

Q. And so energy efficiency as compared to burning more natural gas costs half as much, is that fair to say, based on EPA's numbers?

A. Well, I'll accept the numbers as they are presented in here, but I have no basis to be able to make a judgment about whether they're -- would be reasonable for Gulf Power to achieve savings at those costs. I just have no basis to be able to make that assessment.

Q. And so your company's numbers, comparing those two resources, they differ from EPA's, is that right?

A. Well, I'm not sure about that. I don't have any way to evaluate that. I'm not a resource planning expert, and so this goes well beyond my area of expertise.

Q. Is it fair to say that you're proposing to this Commission that directionally the company's energy efficiency program should be reduced?

A. It is Gulf's recommendations as presented in my direct testimony that the cost-effective goals, or the goals that we are proposing are cost-effective under the RIM and Participants Test. They comply with the requirements of FEECA and the applicable Commission rules and don't cause cross-subsidies and upper rate pressure, so that's what I'm testifying to.

To the extent that those goals are different than what is included in the EPA proposal, then, you know, that could possibly be the case, but I'm not testifying to that.

Q. Fair enough. And just to clarify your testimony, Gulf's proposed goals, not only are they based on the RIM test, they are also based on the two-year payback screen, right?

A. Yes, that's correct. As I have described in my direct testimony, in order to address free ridership, which is a requirement of the Commission rules, Gulf and other FEECA utilities utilize that two-year payback screen to minimize free ridership associated with a lot of the measures that would likely have high adoption, even without utility incentives.

Q. And does Gulf have data on the number of free riders that you have in your service territory, have you studied that?

A. I'm sorry, can you be a little more specific.

Q. Do you have any empiric support for the two-year rule as being the appropriate one, given what's happening in the marketplace?

A. I don't have any empirical support for that other than just the logic of it being a reasonable -- that those kinds of measures having a reasonable payback to the customer. And we know that the shorter the payback is the more likely customers are to adopt, that's the general principle of utilizing incentives to encourage adoption of energy efficiency measures is to create a shorter payback to increase adoption. So measures that have a less than two-year payback would naturally have a higher adoption, so that's the basis for our utilization of that screen.

Q. Right. And so those measures are the less expensive ones, which is why the logic is that there may be free riders, and they're the ones that are eliminated, those cheaper measures?

A. Well, they are not necessarily cheaper measures. It's a matter of the payback to the customers, so it's really a function of the cost of the measure and the energy savings that the measure provides.

Q. Right. And so those are the measures that achieve savings quickly, and it's a good investment. And so those are cost-effective resources that you are eliminating because they are so cost-effective?

A. Well, we're not eliminating them, we're just not burdening all of our customers for paying for those measures to be adopted when they would more likely be adopted anyway, because they have reasonable paybacks.

Q. So they're the most cost-effective programs, which is the rationale behind not developing programs around them and including them in the goals?

A. Again, we use that to address free ridership to minimize costs, additional costs that would be borne by all of Gulf's customers to promote measures that are more likely to be adopted just because they have a very short payback.

Q. Mr. Floyd, if you'd go back to the core of my question, which was whether two-year payback measures are by definition some of the most cost-effective DSM measures?

A. Yes, from a customer's perspective they would be the most cost-effective measures.

Q. And they were eliminated from your evaluation and your comparison of supply-side options as compared to demand-side options and programs that the company would offer to their consumers?

A. As I have described in my testimony, we utilize the two-year payback screen to minimize the free ridership, which is a requirement of the rule. So in that way those measures were removed from the achievable potential that Gulf is recommending for the goals.

Q. And so those measures did not get to compete with supply-side options, like burning more natural gas?

A. I can't speak for the resource planning part of that. We take the unit information that's provided to us and utilize that to evaluate the cost-effectiveness of the measures that we considered here in this proceeding, all the measures that were included in our technical potential study.

Q. One second. All right. But those plans, those measures were eliminated, right?

CHAIRMAN GRAHAM: That was asked and answered.

MS. CSANK: Fair enough.

I have no further questions. Thank you, Mr. Floyd.

THE WITNESS: Thank you.

CHAIRMAN GRAHAM: SACE.

MR. GUEST: Thank you.

CROSS EXAMINATION

BY MR. GUEST:

Q. Good afternoon, Mr. Floyd.

A. Hi.

Q. I've just got a few questions to follow up on some of the things in your rebuttal. Kind of explore some ideas that you have articulated.

A. Okay.

Q. One of them you said that it would take too long to do a program to evaluate the extent of free ridership for particular measures and programs. Could you do that in a year or six months? How long would it take you to do that?

A. First, could you help get me in the context of --

Q. Sure. Let me offer you some hypotheticals here; which, if I needed to, I could show you your own documents to help you along, but I'm going to try to speed things up.

Let's just say, for example, I'll offer two alternate examples. Let's say you wanted to decide if your swimming pool pumps -- I see in your analysis that the swimming pool pumps that apparently were a big part of other people's measures are actually paying off under a year or under two years. Did you know that? Did you notice that? The variable-speed pool pump you were cutting down to the two-year payback.

A. I do know that there is great energy savings potential associated with variable-speed pool pumps. They have been a part of our DSM plan since 2010, and we have seen a huge increase of adoption of those, and great pricing reductions of those. So I'm not surprised that they are now measures that have less than a two-year payback to a customer.

Q. Let's just assume that they've got under a one-year payback.

A. Okay.

Q. So now in a situation like that, they are getting cheaper, and they pay off in less than a year, you would expect to see folks to replace them with the new ones and not need an incentive, wouldn't you think that?

Say, for example, I think your document itself shows that they wear out every five years. And you heard an example earlier when somebody goes to replace something, they are going to replace it anyway, light bulb or air conditioner, that's a situation you probably wouldn't need much incentive and most of the folks would be free riders. Wouldn't you expect that?

A. Well, again, I can say a pool pump is a great example of a very quick payback measure that would not make sense to include in a goal that would involve costs for all customers. Because clearly there's a very limited amount of customers that even have pools, and we would not want to have a situation where all customers were paying subsidies for us to incent those who have pools to purchase a pool pump.

That is something that, you know, to the extent that that was a very short payback action that they could take, that certainly they could take that on their own without additional incentive from the company.

Q. So that's one idea is that if you -- you agree with me, I think, that with a really short payback and you're going to replace it anyway, you would just probably do it anyway, and you shouldn't even include it in the program. Is that what I'm hearing? That ought not to be there if people were going to do it anyway.

A. I'm not sure that's what -- well, I know that's not what I'm saying, and so I'm not sure exactly what you're asking.

Q. Well, what I'm trying to do is get to the point that in some circumstances, when you have to replace the thing anyway, that having a program about that doesn't make any sense. Because if you were going to do it anyway, you are a free rider when you get an incentive. That's my point. Is that correct?

A. Yes. Actually, that is a great way to illustrate the impact of the upcoming change in the air conditioning efficiency standard from 13 to 14 SEER.

So as a customer's heating and cooling system reaches the end of its life and they have to replace that system, beginning in 2015, or as that code gets implemented, they will by definition have to purchase -- the new minimum code system will be a 14 SEER system. So it would not be appropriate for the utility customers to incent that customer to do that, because they have to do it anyways.

So that is a great way to illustrate the impact, the appropriate impact that increasing codes and standards have on continuing to improve the energy efficiency of the economy, but in a way that doesn't burden utility customers for funding that.

Q. Right. But I'm straying a little bit. I'm trying to focus on the assessment of looking at free ridership through something more than a two-year payback, which you discussed in your testimony.

So that's sort of one outer example. You're going to replace something anyway, and you shouldn't really be getting an incentive to do what you would have done anyway. It's just free money. That's the free-rider concept, right?

A. That's correct.

Q. So let's go to the other end. Let's say we have something that has got to get replaced, you only deal with it when it gets replaced, and you are a low-income person, like you're thinking about, you know, your shower head clogs up, or one of the things like that, one of the four examples we have been giving here. That would be kind of the opposite end, wouldn't it? Well, they have got to make a choice, they are only going to do it when it is getting replaced, and it only applies -- those measures only apply to old housing, because the new standards mostly take care of that.

That would be the opposite end, wouldn't it, in which that you're really trying to incentivize those folks to do that, and they are not really free riders at all because they are going to try and get the cheapest thing they can get. That's the opposite end from our pool guys, right?

A. Again, I'm not sure I would characterize it as the opposite end. But I would say that it is the intent of utility-sponsored efficiency programs to encourage customers either before a product reaches end of life or certainly at the time that they have to make a purchase decision on replacing a shower head or whatever it might be, that, you know, if it was a measure in an efficiency program, then we want to reach that customer at that point in time, ensure that they have the appropriate information and education about making, you know, the investment in the more efficient product. And if it was a measure that was appropriate to include in a utility program, then perhaps there would be an incentive associated with it.

But regardless of whether it was a part of a DSM program or not, you know, Gulf Power's general approach to the marketplace through some of the educational efforts I talked about yesterday is to reach customers and provide good, sound advice about, you know, more efficient ways to use energy and all that sort of thing.

Q. Well, I'm sorry, I'm not focusing well enough to try to get you to help me out with this. So what I'm trying to get to is that in some cases you don't really have to -- you have to use just a flat two-year rider. For example, I think that you have a sister company in Georgia, is that right, Georgia Power?

A. Yes.

Q. That's your sister company?

A. Yes.

Q. And so they have done analyses of free ridership there in their programs. Is there some reason why you couldn't just use that, use the ones from Georgia and not have to spend all that time?

A. Well, a couple of things there. First, I'm not really familiar with the nature of the free ridership evaluations that are done in Georgia. But certainly those would be specific to programs that Georgia Power operates and would not apply to programs that Gulf Power operates in Florida.

Q. Well, why wouldn't they apply? I mean, if the folks in Georgia, you know, also heat their water, they run their faucets; why are they different?

A. Because the programs that are offered in Georgia are different than the programs that are offered in Florida. So it would be -- how could you make a comparison in free ridership of a program that is operated in Georgia and translate that to a different program that's operated in Florida?

Q. Well, let me offer you this. Let's say in Georgia, Georgia Power, your sister company, has a program where they have decided from an empirical analysis that the four measures that we talk about, you know what I mean when I say the four measures, I mean hot water blankets, aerators, shower heads, and heat traps. Let's say they have got some empirical evidence that says, well, those things are getting the free ridership rate of the same they were for light bulbs, 16 percent.

Wouldn't that signal to you that, based on the Georgia study, that you ought not to apply that two-year standard to those four, and then you get a big impact on low-income communities. Why didn't you do that?

MR. GRIFFIN: Mr. Chairman, let me just ask a clarifying question. I'm not sure that the facts that Mr. Guest just stated are correct. Are we assuming that those are the actual free ridership levels for those measures in Georgia, or is that a hypothetical situation?

MR. GUEST: Hypothetical, certainly. I have no idea what the numbers are, but I just think the one piece we do have in the evidence is 15 percent. And I'm not suggesting that it is 15, maybe there's another document that shows it might be 30.

THE WITNESS: Uh-huh.

MR. GUEST: But a low number.

BY MR. GUEST:

Q. Now, why wouldn't you just use those numbers for things that were not seasonally related and geographically related? Couldn't you at least not apply the two-year screen as to things like that for your sister company?

A. Well, again, I would say that the adoption of measures, particularly those measures associated with an efficiency program, are going to be very unique to the area where that efficiency program is promoted. So I'm not familiar with how long Georgia Power may have promoted water heater blankets and how much adoption they may have of those, but, you know, to translate the learnings of an evaluation in Georgia, in my mind, would not be meaningful for the purposes of goal-setting here in Florida.

Again, remember, we are setting goals here. We're evaluating the cost-effective energy efficiency potential. We're not talking about specific programs here.

Q. Well, I guess what I'm trying to do is come up with some way to -- you said you'd have to do this extensive analysis for Florida. I'm seeing if there isn't some way that you can do something ahead of that without going through a full-scale analysis and use the things from other states, from your sister companies that are applicable.

I understand that you probably would not want to use the energy efficiency standards for air conditioners in the Alaska. I get that. But I don't understand why things that really are applicable, like hot water heating and things of that sort, would be any different in Georgia. Can you help me with that?

Are you saying that none of the studies that your sister company does would have any applicability in Florida, is that it?

A. Well, I'm not familiar with any of the studies, frankly, that Georgia has done. So I can't say whether any of those would be applicable or not. But, you know, my general position on this would be that those assessments would be unique to each company. As a matter of fact, if you think about how the goal-setting is done, even in Florida, the evaluation of the energy and demand savings associated with each of the measures that we evaluate is unique, even among the utilities in Florida, just because of the wide geographic or climate difference between South Florida and where Gulf is in the Northwest Panhandle of Florida. So there's a lot of things that would make any kind of evaluation really more appropriate to be done in the service area that was being addressed.

Q. Let me just beat this dead horse once more.

Are you telling us that you really think you have to do a regional analysis between Pensacola and Orlando on the effectiveness of those four measures, that there is some real difference there?

A. Yes.

Q. Could you explain why there should be a difference in how people use hot water between Pensacola and Orlando?

A. I didn't say there was a difference between how people use hot water. What I'm speaking to is the nature of the customer base in North West Florida would be the most appropriate way to evaluate any sort of energy efficiency potential. Going back to the way we start this process in technical potential, first we utilize the information we have available to assess the potential associated with each of these energy efficiency measures throughout our service area. And that potential is different between Gulf Power's service area and the service areas of other utilities in Florida.

You know, some of it would depend on maybe, you know, over the years there has been different energy efficiency programs that have been operated, and maybe they have, you know, higher penetrations of certain types of energy efficiency measures. Maybe in Northwest Florida customers in general have more ceiling insulation than maybe they do in Orlando. I'm just giving that as an example. So, again, even the evaluation of the potential is very unique to the geographic area that the utility serves.

Q. Okay. I think I understand your point now. You're saying that all the different incentive programs and the different character of the populations and all of those things make it so there really isn't a way to have a single free ridership estimate for any measure, is that what I hear you saying? Is that why you can't do that?

A. That makes it where it would not be appropriate to use free ridership studies from another state or another area and apply, you know, to a different territory.

Q. Because they are so different?

A. Potentially they are different, yes.

Q. Well, then why is everybody using the same two-year standard then, if they are all different?

A. Well, because two years is a common metric to use. That two-year payback means two-year payback no matter where you are. And, you know, even across the states where energy prices are different and product prices are different, two-year payback still means two-year payback.

Q. Okay. Now, let me ask you, in your testimony I think you said that you haven't done one of those studies like that. How soon could you do a study like that so you could accomplish the thing that you just described, get something that was right for your territory? You could do that in a relatively short time, could you not?

A. I can't really speculate as to how long it would take. My gut feel is it would be on the order of a year, at least, to do a comprehensive evaluation. But again, I'm just purely speculating to that.

Q. Okay. And I think what I heard you saying was that was really the better way to do things is to actually just sort of look at what is really happening rather than to import ideas from other places, did I hear you say that?

A. No, you didn't hear me say that. Actually you just asked me how long it would take. I told you how long it would take. And, of course, you know, there would be a cost associated with doing that which would need to be considered, as well.

Q. Okay. So let me ask one final question. I offer you a hypothetical, and tell me whether you think it's a good or bad idea. Let's say that we were concerned about two particular issues in your two-year payback standard. One was that these folks that can write big checks are walking into stores and buying what they were going to buy anyway and grinning like monkeys when they get a big check to go with it. And then we've got some other folks out there that have measures that would really make a big difference, that are so cheap that people ought to do it, but they don't have the money.

Now, if you wanted to come up with a way to try to solve that problem now, wouldn't you do something like, say, well, if it's got a one-year payback and it costs less than $60, and you're doing it just to existing housing, you could peel away the guys who are getting the free checks and concentrate on the low-income communities. You could do that, couldn't you?

A. Yes, you could accomplish that. And I think I've talked about this before. In the goal-setting phase, which we're talking about here, the recommendation to avoid the people who could afford to buy all those things and walk out smiling, I can't remember exactly how you characterized it, but basically to avoid that cross-subsidy for people who are going to do things anyways, it's appropriate to set goals here that eliminate that potential.

When we get to the program planning phase or program submission phase of this process where we come back after the goals are set and propose specific programs, that would be the more appropriate time to propose a program that could be limited in scope that could focus specifically on the low-income customer segment to ensure that those customers could have access, in an admittedly subsidized way, but, you know, to the extent that that could be limited to the population of customers that we know would be of most need to adopt those measures. That is a better way to do it than to set goals that would create the opportunity for anyone to adopt those measures, those low-cost measures that you're talking about, and cause a lot of cost to be passed to all of Gulf Power's customers.

Q. But, now, I think what I hear you saying is that you should not put those things in the goals.

A. That's correct.

Q. But you should put them in the programs, correct? I think that's what I heard you say.

A. That's correct.

Q. Okay. But doesn't the statute say that the programs are actually to implement the goals?

A. That's correct.

MR. GUEST: Thank you. No further questions.

CHAIRMAN GRAHAM: Okay. EDF.

MR. FINNIGAN: No questions, Your Honor.

CHAIRMAN GRAHAM: Staff.

MS. TAN: Staff does not have any questions for Mr. Floyd, but we would like to make sure that Mr. Floyd's exhibit is marked and numbered.

I believe the next available Exhibit Number is 197.

(Exhibit Number 197 marked for identification.)

CHAIRMAN GRAHAM: That is correct.

Do you have a title for it?

MS. TAN: Yes. It is "Annual TRC Achievable Potential."

Thank you.

CHAIRMAN GRAHAM: Commissioners?

Redirect.

REDIRECT EXAMINATION

BY MR. GRIFFIN:

Q. Just one question to Mr. Guest's last point about the working of the statute.

Mr. Floyd, are you aware as to whether Gulf Power currently offers any programs that include measures that were not included in your goal analysis the last time around?

A. I'm aware that Gulf Power's current programs include some of the measures that Mr. Guest was asking me about here. I'm not aware if there are any measures that were not a part of the original technical potential assessment.

MR. GRIFFIN: Thank you.

CHAIRMAN GRAHAM: Okay. Exhibits.

MR. GRIFFIN: Mr. Floyd did not have any prefiled exhibits to his rebuttal.

CHAIRMAN GRAHAM: Staff, are you putting 197 into the record?

MS. TAN: Yes, please.

CHAIRMAN GRAHAM: We will enter 197 into the record.

(Exhibit Number 197 admitted into the record.)

CHAIRMAN GRAHAM: Okay. I believe that's all of our witnesses, is that correct? Staff, everyone?

Let's see, where do we go from here. All right. We have a late-filed exhibit that is coming from Duke, their Witness Duff that's supposed to be sent out. And, Staff, I guess the best way of sending this information out is as Gulf did this morning?

MS. TAN: Yes, that would work.

CHAIRMAN GRAHAM: And I see people nodding their heads yes. Okay. And that's supposed to be out by July 29th is the way I have it down, and objections to that late-filed exhibit being entered are supposed to be back here by August 4th by the end of the day, and to me that means 5:00 o'clock Eastern Standard Time. Okay.

The other thing is briefs. Seeing that this is pushing us back about two weeks, I'll extend the brief time. So we want to have briefs back here by September 30th. That should be plenty of time for everybody to brief to your heart's content.

Staff, is there anything else that I'm missing?

MS. TAN: Just to note that the hearing transcript will be available on August 8th for the parties.

CHAIRMAN GRAHAM: Do I have any questions or concerns or clarifications from any of the parties?

MR. BUTLER: Mr. Chairman, Commissioners, just one other matter, real briefly, I'd like to bring to your attention for FPL, it concerns the provision of measures and programs for low-income customers.

I just wanted to assure you that, you know, we have heard you loud and clear on that topic. You know, while we currently offer some programs targeted to low-income customers, we intend to go back and assess what additional measures for low-income customers could be introduced as part of a new or existing program, and that's something that we would submit as part of our proposed plan once you've set goals for FPL and the other utilities.

Thank you.

CHAIRMAN GRAHAM: Any other questions, concerns, comments?

I do appreciate the time that you guys have given the last two days and the effort of trying to streamline this process. I know sometimes it's not easy; I know sometimes emotions like to flow. Hopefully, I was as level-headed as I could be for all my determinations.

And all of that being said, I want to thank Staff for everything you did to get us to this point, and all the more work you're going to be doing as we move forward.

And all of that being said, it is just after 4:00 o'clock. I hope you all have an enjoyable rest of the week and weekend, and all travel safe home.

Thank you very much. We're adjourned.

MR. BUTLER: Thank you.

(The hearing concluded at 4:08 p.m.)

CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, JANE FAUROT, RPR, certify that I was authorized to and did stenographically report the proceedings herein, and that the transcript is a true and complete record of my stenographic notes.

I further certify that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

WITNESS my hand and official seal this 8th day of August, 2014.

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