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Senior Counsel

May 20, 2015

**VIA ELECTRONIC FILING**

Ms. Carlotta Stauffer, Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Re: *Request to opt-out of cost recovery for investor-owned electric utility energy efficiency programs by Wal-Mart Stores East, LP and Sam's East, Inc. and Florida Industrial Power Users Group; Docket No. 140226-EI*

Dear Ms. Stauffer:

Please find enclosed for filing on behalf of Duke Energy Florida, Inc. ("DEF"), DEF's Surrebuttal Testimony of Tim Duff.

Thank you for your assistance in this matter. Please feel free to call me at (850) 521-1428 should you have any questions concerning this filing.

Respectfully,

s/ Matthew R. Bernier  
Matthew R. Bernier

MRB/at  
Enclosures

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via electronic mail to the following this 20<sup>th</sup> day of May, 2015.

*/s/ Matthew R. Bernier*

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**IN RE: REQUEST TO OPT-OUT OF COST RECOVERY FOR INVESTOR-OWNED  
ELECTRIC UTILITY ENERGY EFFICIENCY PROGRAMS  
BY WAL-MART STORES EAST, LP AND SAM'S EAST, INC.  
AND FLORIDA INDUSTRIAL POWER USERS GROUP**

**FPSC DOCKET NO. 140226-EI**

**SURREBUTTAL TESTIMONY OF  
TIM DUFF ON BEHALF OF DUKE ENERGY FLORIDA, INC.**

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. Please state your name and business address.**

3 **A.** My name is Timothy J. Duff. My business address is 550 South Tryon Street,  
4 Charlotte, North Carolina 28202.

5

6 **Q. Are you the same Timothy J. Duff who previously filed Testimony in Docket**  
7 **140002-EG in which the issues of this proceeding originated?**

8 **A.** Yes, on August 27, 2014, I filed actual/estimated and projection testimony on behalf  
9 of Duke Energy Florida, Inc. ("DEF" or "Duke Energy") in Docket 140002-EG. I  
10 also submitted rebuttal testimony on September 12, 2014 and adopted the direct  
11 testimony of Helena Guthrie, which was filed with the Florida Public Service  
12 Commission ("FPSC" or the "Commission") on May 2, 2014.

13

14 **Q. Have your job duties changed since you filed the August 27, 2014 testimony?**

15 **A.** No, they have not.

16

17 **II. SUMMARY OF SURREBUTTAL TESTIMONY**

1 **Q. Please summarize your rebuttal testimony.**

2 A. The purpose of my surrebuttal testimony is to address the hypothetical example  
3 proposed by the Florida Industrial Power Users Group (“FIPUG”) in its prehearing  
4 statement filed October 1, 2014 in Docket 140002-EG, and the flaws that FIPUG’s  
5 hypothetical example demonstrates in its proposal as a whole. I note that the rebuttal  
6 testimony I filed in Docket 140002-EG has been transferred to this proceeding, and  
7 the positions stated in that testimony are still correct. I am providing this testimony to  
8 respond to the hypothetical example, because that example was filed after I filed my  
9 rebuttal testimony.

10

11 **Q. Are you sponsoring any exhibits with your testimony?**

12 A. No.

13

14 **III. SURREBUTTAL TESTIMONY**

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16 **Q. Can you restate the hypothetical example posed by FIPUG in its prehearing  
17 statement?**

18 A. Yes. FIPUG provided this example: “Utility Company A has a 10,000 MW system  
19 that is used to calculate energy efficiency goals. Assume an energy efficiency goal of  
20 1% is established, so that Utility Company A has an energy efficiency goal of 100  
21 MWs. Under the present construct, the utility puts in place measures that it believes  
22 will achieve its 100 MW goal and charges all customers accordingly. Under FIPUG’s  
23 suggested approach, assume that eligible opt-out customers invest their capital in  
24 energy efficiency measures that cumulatively result in 15 MW of energy efficiency

1 savings. Utility Company A would recognize that 15%, or 15 MW of its energy  
2 efficiency goal was realized by these customers, and its 100 MW goal would be  
3 reduced to 85 MWs. A corresponding reduction in costs would occur so that revenue  
4 neutrality is achieved and no cost shifting results.” See FIPUG’s Prehearing  
5 Statement filed October 1, 2014 in Docket 140002-EG; Document No. 05553-14.

6

7 **Q. Given FIPUG’s hypothetical example above, do you see any fundamental flaws**  
8 **or problems with FIPUG’s analysis?**

9 A. Yes. This hypothetical example is fundamentally flawed because it fails to recognize  
10 the inherent difference between a customer specific energy efficiency project and a  
11 DSM program utilized by a utility to meet its annual DSM goals. Under the scenario  
12 above, a rational opt-out customer is going to evaluate a potential energy efficiency  
13 project based on the bill savings associated with energy and capacity savings from a  
14 project compared to the cost of its investment. Essentially, the customer is evaluating  
15 the project utilizing the participant test, and absent a utility incentive, the customer  
16 will equate the savings from not having to pay the ECCR charge as its incentive to  
17 undertake the project. The disconnect lies in the fact that the opt-out customer has  
18 not considered whether the project would pass the RIM test. Under the FIPUG  
19 example, they state that there is no cross subsidization because the utility will have to  
20 do less of its RIM passing programs, which will lower costs for all customers.  
21 However, this theory is incorrect. Reducing the amount of RIM passing DSM that is  
22 achieved by the utility programs does not mean that the effect of the opt-out will be  
23 neutral. RIM passing programs will in the long run have the effect of lowering rates  
24 for all customers, so doing less RIM passing DSM could actually cause all customers

1 rates to be higher than they otherwise would be under the approved RIM based DSM  
2 goals.

3

4 **Q. In this hypothetical example, has FIPUG considered free ridership with projects  
5 that have less than a two-year payback period?**

6 A. No. The logic behind allowing the impacts associated with opt-out projects to reduce  
7 the DSM goals and the associated DSM Plans is inappropriate unless the projects  
8 have greater than a two-year payback. The Company's approved DSM Goals have  
9 already been reduced to not include any measures that have less than a two-year  
10 payback in order to account for free ridership. If the opt-out customer's project has  
11 less than a two-year payback, the goals already factored in those projects and the  
12 associated efficiency resulting in "double-dipping" under FIPUG's proposal.

13

14 **Q. Are there any other flaws with FIPUG's hypothetical example?**

15 Yes. FIPUG's hypothetical example ignores the fact that because all of the utility's  
16 DSM programs pass RIM (and therefore benefit all customers regardless of  
17 participation), the opt-out customer still reaps the benefit from the utility's DSM  
18 programs that it does not participate in. Hence, the opt-out customer should still pay  
19 the ECCR charge regardless of whether it undertook a project on its own that lowered  
20 the amount of efficiency gains required to meet the utility's DSM goal. Otherwise,  
21 the opt-out customer receives the benefit of its own project and the benefit from the  
22 other DSM programs without paying for the latter; again, this would result in the opt-  
23 out customer "double-dipping" at the expense of the customers that cannot opt-out of  
24 paying the ECCR charge.

1

2 **Q. Does this conclude your surrebuttal testimony?**

3 A. Yes.

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