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DUKE ENERGY
FLORIDA

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July 12, 2019

**VIA ELECTRONIC FILING**

Adam J. Teitzman, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: *Commission Review of Numeric Conservation Goals (Duke Energy Florida, LLC); Docket 20190018-EG*

Dear Mr. Teitzman:

Please find enclosed for filing the Rebuttal Testimony of Lori Cross appearing on behalf of Duke Energy Florida, LLC, in the above-referenced Docket.

Thank you for your assistance in this matter. If you have any questions, please feel free to contact me at (850) 521-1428.

Sincerely,

*/s/ Matthew R. Bernier*

Matthew R. Bernier

MRB/cmk
Enclosure

**CERTIFICATE OF SERVICE**
**(Dkt. No. 20190018-EG)**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished to the following by electronic mail this 12th day of July, 2019, to all parties of record as indicated below.

*/s/ Matthew R. Bernier*
Attorney

| | |
|---|---|
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**IN RE: COMMISSION REVIEW OF NUMERIC CONSERVATION GOALS**

**(DUKE ENERGY FLORIDA, INC.)**

**FPSC DOCKET NO. 201900018-EI**

**REBUTTAL TESTIMONY OF**

**LORI CROSS**

## I. INTRODUCTION AND QUALIFICATIONS

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

A. My name is Lori Cross. My business address is 299 First Avenue North, St. Petersburg, Florida 33701.

**Q. Have you previously filed Direct Testimony in this proceeding?**

A. Yes, I filed my Direct Testimony on behalf of Duke Energy Florida, LLC ("DEF" or "Duke Energy") on April 12, 2019.

**Q. Are your duties and responsibilities the same as when you previously filed testimony in this docket?**

A. Yes.

## II. SUMMARY OF REBUTTAL TESTIMONY

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

A. The purpose of my rebuttal testimony is to address the Direct Testimony of Witnesses Grevatt and Bradley-Wright on behalf of the Southern Alliance for Clean Energy ("SACE").

Even though each of their testimonies include analysis to support their positions, review of the basis for their recommendations and examination of the underlying assumptions reveals that their proposals are based on arbitrary, overly simplistic, and incorrect assumptions. Additionally, their recommendations are contrary to the provisions of the Florida Energy Efficiency and Conservation Act (FEECA) and Rule 25-17.0021, Florida Administrative Code.

Mr. Grevatt argues that RIM is not a cost effectiveness test, suggest that goals should be based on TRC adjusted to add back measures with less than a two-year payback, and argues that the impacts of early retirements have not appropriately been considered in the proposed goals. Mr. Grevatt's testimony includes analysis and criticism of the utilities' proposed goals, but in the end, he simply recommends that the utilities' goals should be set based on 1.5% of sales. My testimony will demonstrate why it is inappropriate to base goals on high-level arbitrary assumptions and the inappropriateness of relying on energy efficiency results in other states.

Mr. Bradley-Wright asserts that the Commission should set specific targets for low income customers as part of the goals setting process and that there is a need for formal standards for evaluating energy efficiency potential for low income customers. Mr. Bradley-Wright then proposes specific targets for each utility based on his estimate of achievable potential (AP) for low income customers. My testimony will focus on the fact that his recommendations are not supported by the provisions of FEECA or the Commission Rules and discuss the flaws and incorrect assumptions in the analysis supporting his recommendations.

**Q. What is your response to Mr. Grevatt's proposed goal of 1.5% of sales?**

A. My initial reaction is to note that his proposal does not comply with Rule 25-17.0021, which states "goals shall be based on an estimate of the total cost-effective kilowatt and kilowatt-hour savings reasonably achievable through demand-side management." In contrast, Mr. Grevatt recommends that the Commission set goals that would ramp up to an arbitrary 1.5% of sales by 2024.

Moreover, beyond the incompatibility of the Rule, analysis of Mr. Grevatt's proposal demonstrates why it is generally inadvisable and inappropriate to set goals based on arbitrary assumptions. As he explains, this recommendation is based on the energy efficiency results of non-Florida utilities; specifically, Duke Energy Carolina's (DEC's) 2018 result of 1.67% of sales. However, in his analysis, Mr. Grevatt fails to consider the fact that the sales included in the denominator do not represent DEC's total sales, but only sales from non-opt out customers (though this fact was noted in footnote no. 42 to Mr. Grevatt's testimony, it does not appear that it was considered in the actual analysis). This results in a higher percent of sales than would be achieved if total sales were used in the denominator. In fact, Mr. Bradley-Wright states that DEC's 2018 efficiency savings equaled 1.05% of the previous year's retail sales in his testimony in DEC's cost recovery docket (Docket E-7 Sub 1192).[1] Given this fact, Mr. Grevatt's analysis does not support his recommended goal of 1.5% of total sales for the FEECA utilities.

[1] In the Matter of: Application of Duke Energy Carolinas, LLC for Approval of Demand-Side Management and Energy Efficiency Cost Recovery Rider Pursuant to N.C.G.S. §62-133.9 and Commission Rule R8-69; *Docket No. E-7, Sub 1192.* https://starw1.ncuc.net/NCUC/ViewFile.aspx?Id=31599310-591b-4379-9a66-16bb36031e3f

Additionally, Mr. Grevatt's assumption that efficiency achievements as a percent of sales can ramp up over the next five years and then remain at that level for the duration of the goals period seems to ignore the ongoing impacts of increases in efficiency requirements in building codes and appliance efficiency standards. For example, implementation of the EISA standards in 2020 will even further diminish opportunities for utilities to provide savings incremental to requirements DEF's proposed goals are based on a thorough evaluation of the AP of cost-effective measures and the goals reflect the impacts of the changes in codes and standards. In contrast, Mr. Grevatt's proposal is unsupported by any meaningful analysis, much less an analysis specific to Florida. Additionally, if one looks deeper at the energy saving achievements of DEC, Mr. Grevatt fails to account for the fact that a significant portion of the Duke Energy Carolinas energy savings referenced come from behavioral programs, which are not included in the establishment of utility goals in Florida. In fact, Mr. Bradley-Wright criticizes the efficiency achievements of DEC on this very point in his testimony in DEC's cost recovery proceeding, "But there remains room for improvement. DEC continues to rely too heavily on short-term, behavioral programs, particularly My Home Energy Report, which accounted for 57% of all energy savings achieved from residential energy-efficiency programs in 2018 (a modest decline from 63% in 2017)." [1]

In sum, Mr. Grevatt's attempt to justify the establishment of annual efficiency goals based on an arbitrary percentage of sales is not only contrary to Commission rule but also fails to

[1] In the Matter of: Application of Duke Energy Carolinas, LLC for Approval of Demand-Side Management and Energy Efficiency Cost Recovery Rider Pursuant to N.C.G.S. §62-133.9 and Commission Rule R8-69; *Docket No. E-7, Sub 1192.* https://starw1.ncuc.net/NCUC/ViewFile.aspx?Id=31599310-591b-4379-9a66-16bb36031e3f

withstand close analysis. DEF's proposed goals are based on analysis of the cost effectiveness of measures in accordance with the FPSC rules and the requirements of the FEECA statute. It would be inappropriate to ignore these facts and establish goals based on an indiscriminate application of achievements from other jurisdictions.

**Q. Are you in agreement with Mr. Bradley-Wright's proposal that the Commission should set low income targets for the FEECA utilities as part of the goals setting process?**

A. No, I think it would be inappropriate for the Commission to set low income targets as part of the goals setting process. The Commission has a long history of adhering to the requirements set forth in Commission Rule 25-17.0021, which establishes the goals setting process in accordance with the provisions of FEECA. Paragraph 1 of this Rule states "Overall Residential KW and KWH goals and overall Commercial/Industrial KW and KWH goals shall be set by the Commission for each year over a ten-year period". Nothing here suggests or supports Mr. Bradley-Wright's recommendation that the Commission set targets or goals for a subset of the residential sector; in fact, use of the word "overall" directly contradicts his assertion that setting targets for a subset of the Residential customers is appropriate or consistent with the Rule. And Paragraph 3 of this Rule establishes the requirements for the utilities to propose numerical goals for the reasonably achievable winter and summer peak demand and annual energy savings in the residential and non-residential classes. Here, again, there is no discussion regarding targets or goals for low income customers or any other subset of the residential or non-residential customers.

**Q. Is it appropriate for the Commission to mandate how DEF meets its goals during the goals setting process?**

A. No, it is not. The goals setting process is designed to set reasonable goals for the residential and non-residential classes in their entirety. The economic potential (EP) and AP for the residential class included in DEF's proposed goals represents the potential for the entire residential class including low income customers. Setting a target for low income customers and carving this subset of customers out of the total does not increase the total AP, it simply divides the total potential between low income customers and all other residential customers. Mr. Bradley-Wright's recommendations go beyond the objectives and requirements of the goals setting process. In essence, his testimony recommends that the Commission should direct the utilities as to how the goals should be achieved as part of the goals setting process. This would be a significant departure from the provisions of FEECA and the Commission Rules and DEF is concerned about the precedent this could set for future proceedings.

**Q. Do DEF's proposed goals include any assumptions specific to low income customers?**

A. No. Consistent with the requirements of the Commission's Rules, DEF evaluated the AP and EP for the entire residential class by housing type. The potential for low income customers is subsumed within the total residential class.

Rule 25-17.0021(4) requires utilities to file demand side management plans designed to achieve the Commission approved goals within 90 days of the final order approving the utility's goals. The utilities will develop program plans including plans for low income customers during this process. The low-income program plans will be submitted to the Commission for approval in conjunction with the plans for all other DSM programs. These plans will include the estimated costs and the estimated customer bill impacts and taken together will be designed to meet the Commission-established overall goals for the residential and non-residential classes.

**Q. How do you respond to the low-income targets that Mr. Bradley-Wright has proposed for DEF?**

A. Mr. Bradley-Wright's proposed annual low income GWH targets are more than 5 times the level that DEF achieved in 2018. There are three significant issues in his methodology and flaws in the assumptions supporting these proposed targets that result in unrealistic and overstated targets for DEF's low income customers:

- The first significant issue with Mr. Bradley-Wright's analysis is that he starts with the "TRC Savings Goals by Sector When Just Removing Two-Year Payback Screen and Assuming 50% of Economic is Achievable" presented in Exhibit JMG-2 in Mr. Grevatt's testimony. Review of the assumptions supporting this exhibit reveal that Mr. Grevatt assumed that removing the Two-Year Payback Screen would result in an 80% increase in DEF's residential TRC EP. This 80% increase is based on the difference between the TRC EP for Gulf Power's base case for residential and non-residential customers with no payback screen and no administrative costs and Gulf Power's TRC EP sensitivity for residential and non-residential customers with a two-year payback screen and administrative costs. There are multiple problems with this position:
    - First, it is inappropriate to assume that the adjustment for the payback screen would result in the same percentage change in DEF's TRC EP as Gulf Power's.

There are differences in avoided costs and measure impacts across the utilities that need to be considered as they could have a significant impact on the results. The only way to get an accurate assessment of the impact of including the measures with less than a 2-year payback is to rerun the EP model – an analysis that DEF has not performed.

- Second, even if one was to mistakenly accept Mr. Grevatt's assumption that the adjustment for measures with less than a 2-year payback will cause DEF's TRC EP to change by the same percentage as Gulf Power's, Mr. Grevatt's analysis supporting the 80% increase includes critical errors that should not be ignored. The 80% factor calculated by Mr. Grevatt represents the difference in the EP for both the residential and non-residential customer classes; however, because the low-income targets are only applicable to residential customers, he should have used the difference in the two cases for residential customers only - which is 37%. Additionally, the 80% increase in EP that Mr. Grevatt proposes fails to recognize that the difference in the EP between the two scenarios is not driven solely by the inclusion of 2-year payback measures in one scenario and not the other. The difference is also impacted by the fact that one scenario includes administrative costs and the other one does not.

- The second significant issue that DEF takes exception to is Mr. Bradley-Wright's assumption that 37.4% of its residential *customers* are at or below 200% of the poverty level. In support, Mr. Bradley-Wright cites 2010 census block data showing 37.4% of the *population* in DEF's service area has income at or below 200% of the poverty level Conflating overall *population* with individual *customers* which skews the analysis.

DEF estimates, also based on 2010 census data, that approximately 26.9% of its residential customers are at or below 200% of the poverty level – a difference of over 10% from Mr. Bradley-Wright's assumption. DEF believes the percentage of *customers* below the poverty level would be more applicable to this analysis than the percentage of the *population* below the poverty level. One additional significant issue is that Mr. Bradley-Wright has not considered the potential cost or customer bill impacts of his proposed low-income targets. The annual targets that he proposes for DEF are more than 5 times higher than the savings that DEF's low income programs are achieving today; couple that with the fact that his recommendation is based on a portfolio of measures including high price tag items (such as heat pumps, air conditioners, windows, and ceiling insulation) and presuming that DEF would pay 100% of the cost of these measures as it does with other low-income programs, suggests that Mr. Bradley-Wright's proposed targets would result in a significant increase in DSM program costs. This cost increase would be paid by all customers, including low income customers, those who have participated in the program and those who have not.

**Q. What actions should the Commission take in this goals setting proceeding regarding goals or targets for low income customers?**

A. The Commission should reject Mr. Bradley-Wright's recommendations regarding specific targets or goals for low income customers as part of the goals setting proceeding are not supported by FEECA or the provisions of Rule 25-17.0021. Specific programs and measures for low income customers are more appropriately considered in the Program Plan proceeding as part of the utilities' overall plans designed to achieve the Commission approved goals.

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

A. Yes, this concludes my testimony.