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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

COMMISSION REVIEW OF
NUMERIC CONSERVATION GOALS
(FLORIDA POWER & LIGHT
COMPANY).
_____ /

DOCKET NO. 20190015-EG

COMMISSION REVIEW OF
NUMERIC CONSERVATION GOALS
(GULF POWER COMPANY).
_____ /

DOCKET NO. 20190016-EG

COMMISSION REVIEW OF
NUMERIC CONSERVATION GOALS
(FLORIDA PUBLIC UTILITIES
COMPANY).
_____ /

DOCKET NO. 20190017-EG

COMMISSION REVIEW OF
NUMERIC CONSERVATION GOALS
(DUKE ENERGY FLORIDA, LLC).
_____ /

DOCKET NO. 20190018-EG

COMMISSION REVIEW OF
NUMERIC CONSERVATION GOALS
(ORLANDO UTILITIES
COMMISSION).
_____ /

DOCKET NO. 20190019-EG

COMMISSION REVIEW OF
NUMERIC CONSERVATION GOALS
(JEA).
_____ /

DOCKET NO. 20190020-EG

COMMISSION REVIEW OF
NUMERIC CONSERVATION GOALS
(TAMPA ELECTRIC COMPANY).
_____ /

DOCKET NO. 20190021-EG

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PROCEEDINGS: HEARING
COMMISSIONERS
PARTICIPATING: CHAIRMAN ART GRAHAM
COMMISSIONER JULIE I. BROWN
COMMISSIONER DONALD J. POLMANN
COMMISSIONER GARY F. CLARK
COMMISSIONER ANDREW GILES FAY

DATE: Tuesday, August 13th, 2019

TIME: Commenced: 2:00 p.m.
Concluded: 6:29 p.m.

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

REPORTED BY: DEBRA R. KRICK
Court Reporter

APPEARANCES: (As heretofore noted.)

PREMIER REPORTING
114 W. 5TH AVENUE
TALLAHASSEE, FLORIDA
(850) 894-0828

1 I N D E X

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EXHIBITS

NUMBER:		ID	ADMITTED
346	SACE response to FPL POD No. 3, excerpt from 2018 State Energy Efficiency Scorecard	1087	1099
92	As identified in the comprehensive exhibit list		1099
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1 P R O C E E D I N G S

2 (Transcript follows in sequence from
3 Volume 5.)

4 CHAIRMAN GRAHAM: All right. I see Mr. Deason
5 in the witness chair. I see Ms. Clark diligently
6 reaching for her microphone because she's itching
7 to get started.

8 MS. CLARK: I am, Mr. Chairman.

9 CHAIRMAN GRAHAM: And I have a quorum, so
10 Ms. Clark, your witness.

11 MR. CAVROS: Chairman, could I interrupt for a
12 moment?

13 SACE objected to Mr. Deason's expertise as a
14 legal expert in this proceeding. I would like to
15 voir dire the witness. We can do it at the
16 appropriate time, but I will defer to you.

17 CHAIRMAN GRAHAM: Let's let her introduce him,
18 do the summary. And before we open it up to
19 cross-examination, I will let you voir dire the
20 witness.

21 MS. CLARK: Thank you.

22 Whereupon,

23 TERRY DEASON

24 was called as a witness, having been previously duly
25 sworn to speak the truth, the whole truth, and nothing

1 but the truth, was examined and testified as follows:

2 EXAMINATION

3 BY MS. CLARK:

4 Q And, Mr. Deason, you have been sworn; is that
5 correct?

6 A Yes.

7 Q Would you please state your name and your
8 business address?

9 A My name is Terry Deason. My business address
10 is 301 South Bronough Street, Suite 200, Tallahassee,
11 Florida, 32301.

12 Q And by whom are you employed, and in what
13 capacity?

14 A I am employed by the Radey Law Firm as a
15 special consultant.

16 Q And have you prepared and caused to be filed
17 40 pages of rebuttal testimony in this proceeding?

18 A Yes.

19 Q Do you have any changes to your rebuttal
20 testimony?

21 A No.

22 Q And if I asked you the same questions today
23 contained in your rebuttal testimony, would your answers
24 be the same?

25 A Yes.

1 MS. CLARK: Mr. Chairman, I would ask that his
2 prefiled rebuttal testimony be inserted into the
3 record as though read.

4 CHAIRMAN GRAHAM: Mary Anne, question for you.
5 Is it appropriate for me to enter the rebuttal
6 testimony into the record before the voir dire or
7 after?

8 MS. HELTON: I guess, because there is the
9 opportunity that some or all of it may not be
10 admitted into the record, maybe that should be an
11 event that happens after the voir dire, and after
12 you decide whether he can, in fact, testify as an
13 expert.

14 MS. CLARK: Mr. Chairman, I have a procedural
15 point on that.

16 CHAIRMAN GRAHAM: Okay.

17 MS. CLARK: Your OEP requires that no later
18 than the prehearing conference, if there is going
19 to be a motion to strike testimony, it has to be
20 done before the prehearing conference, and it was
21 not done in this case.

22 CHAIRMAN GRAHAM: Mary Anne.

23 MS. HELTON: Let me check with Ms. DuVal for a
24 second, because it was my under -- I didn't go back
25 and look at the actual pleading made by SACE, and

1 that's my bad. But it was my understanding that
2 they had actually identified lines where they were
3 taking issue with his expertise. So can you hold
4 on one second, please, Mr. Chairman?

5 CHAIRMAN GRAHAM: Sure.

6 MS. HELTON: I am sorry that I didn't do this
7 before.

8 CHAIRMAN GRAHAM: No, you are fine.

9 MS. HELTON: While it may not be styled as a
10 motion to strike, they have identified, in their
11 prehearing statement, lines -- lines where they are
12 objecting to the testimony of Mr. Deason. So I
13 think it's kind of a distinction without a
14 difference here. So that being said, I do think
15 it's probably better to wait to admit his
16 testimony.

17 CHAIRMAN GRAHAM: Ms. Clark.

18 MS. CLARK: I am okay with waiting to admit
19 his testimony, but if I can be heard on -- before
20 the voir dire to explain our position on Mr.
21 Deason.

22 CHAIRMAN GRAHAM: Okay.

23 MS. CLARK: I have read the specific lines in
24 his testimony that has been objected to, and as I
25 read it, it's a matter of describing regulatory

1 policy and how that policy relates to issues before
2 you.

3 We are not asking him to be qualified as a
4 legal expert, rather as an expert in regulatory
5 policy and the implications of that policy in this
6 proceeding, and in response to the recommendations
7 made by SACE.

8 We base this on the fact that he has over 40
9 years of experience in regulatory matters as a
10 Commissioner, a Commissioner's aid and as a public
11 advocate. And he has been accepted by this
12 commission on numerous occasions as a regulatory
13 policy expert.

14 I have reviewed, as I said, the language in
15 his testimony, and it is not interpreting laws, but
16 putting past policy decisions in the context of
17 relevant decisions on the law by this commission
18 and the courts, and how those provisions have
19 manifested themselves in policy.

20 He cites laws and he quotes decisions to give
21 a context to his testimony, not to draw legal
22 conclusions, or to tell this commission how to
23 decide this case. This commission, as fact-finder,
24 is free to accept and weigh Mr. Deason's testimony
25 and give it the weight you find it appropriate.

1 At this time, I don't think there is any
2 reason for him to be voir dired as a legal expert,
3 we are not offering him as a legal expert.

4 MR. CAVROS: Chairman, could I respond?

5 CHAIRMAN GRAHAM: I will let you get your voir
6 dire.

7 Is that all you had?

8 MS. CLARK: Yes, sir.

9 CHAIRMAN GRAHAM: Is that all you had?

10 MS. CLARK: I guess our position is twofold.
11 He doesn't need to be voir dired, and his testimony
12 should not be stricken.

13 CHAIRMAN GRAHAM: Okay. Are you done with the
14 exhibits and all that other stuff?

15 MS. CLARK: I am on voir dire.

16 CHAIRMAN GRAHAM: No, I was going to let him
17 voir dire before he does his summary.

18 MS. CLARK: Okay.

19 BY MS. CLARK:

20 **Q Mr. Deason, have you sponsored an exhibit**
21 **attached to your testimony?**

22 A Yes.

23 **Q And was that exhibit prepared by you, or**
24 **prepared under your supervision and control?**

25 A Yes.

1 Q And do you have any corrections to that
2 exhibit?

3 A No.

4 MS. CLARK: Mr. Chairman, I would note that
5 that exhibit is marked as Exhibit 92.

6 CHAIRMAN GRAHAM: Okay. Duly noted.

7 MS. CLARK: And at this time, he is ready for
8 his summary. Do you want him to give his summary
9 now or do the voir dire now?

10 CHAIRMAN GRAHAM: We will do the voir dire
11 first.

12 Mary Anne, question for you. The voir dire
13 was filed during the prehearing, correct?

14 MS. HELTON: Under our order establishing
15 procedure, if someone is going to take issue with
16 the expertise of a witness, they must do so by the
17 time of their prehearing statement, and SACE did
18 that in their prehearing statement. And the
19 prehearing officer said that they had met the
20 requirements to be able to voir dire.

21 I think Ms. Clark has made some excellent
22 points, but I think that SACE should be able to
23 respond to Ms. Clark's points, and because they
24 were promised the opportunity to voir dire by the
25 prehearing officer, I think that -- hold on just a

1 second. I am being corrected here.

2 CHAIRMAN GRAHAM: And this is why the court
3 system should go run by engineers.

4 MS. HELTON: I obviously was not listening
5 that carefully at the prehearing. Ms. DuVal has
6 reminded me that Mr. Moyle had also -- had untimely
7 requested to voir dire, or take objection to the
8 expertise of witnesses, and the prehearing officer
9 ruled that Mr. Moyle had not timely raised any
10 issues with the expertise of any witness. The
11 prehearing officer did not address whether SACE
12 would be able to voir dire Mr. Deason.

13 So maybe, at this point in time, you should
14 allow Mr. Cavros to respond to Ms. Clark's
15 statements, and then decide from there whether a
16 voir dire is appropriate.

17 CHAIRMAN GRAHAM: Mr. Cavros.

18 MR. CAVROS: Thank you, Chairman.

19 Mr. Chairman and Commissioners, Mr. Deason's
20 testimony is replete with, not only references to
21 Florida law, Commission rules and Commission
22 orders, but also his interpretation of the law,
23 rules and orders and what policy those laws, rules
24 and order require this commission to follow.

25 Section 120.57 provides that for a

1 fact-finding evidentiary proceeding, and does not
2 contemplate cross-examination of a witness' legal
3 opinion. Moreover, Section 90.702 of the Florida
4 Evidence Code that deals with testimony by experts
5 states that if scientific, technical or other
6 specialized knowledge will assist the trier of fact
7 in understanding the evidence or in determining a
8 fact in issue, a witness qualifies an expert by
9 knowledge, skill, experience, training or education
10 may testify about it in the form of an opinion or
11 otherwise.

12 Mr. Deason's testimony is offered for the
13 expressed purpose of setting forth legal
14 conclusions on how to interpret Florida laws,
15 Commission rules and in orders. It is an
16 impermissible attempt to instruct the Commission on
17 how to decide questions of law. Witnesses are
18 proffered for assisting triers of fact, you,
19 Commissioners, in determining a fact in issue, not
20 in telling you how to interpret the law or what the
21 law requires.

22 Bottom line is that his testimony, you know,
23 is fact free. So if I had the opportunity to
24 cross-examine him, I don't know what we would be
25 doing other than having an academic discussion on

1 the law.

2 So for these reasons, SACE objects to Mr.
3 Deason's testimony.

4 CHAIRMAN GRAHAM: This is a difficult enough
5 question. We are going to take a five-minute break
6 so I can speak to my counsel. If we decide if we
7 are going to, No. 1, allow the voir dire, because
8 after that, we can make the determination if we are
9 going to strike part of his testimony or not. So
10 let's take another five-minute break.

11 MR. CAVROS: Thank you.

12 (Brief recess.)

13 CHAIRMAN GRAHAM: All right. I just went to
14 law school and I am now a graduate.

15 MS. WYNN: Congratulations.

16 CHAIRMAN GRAHAM: Mary Anne, speak to me, old
17 wise one.

18 MS. HELTON: Well, Mr. Chairman, as we just
19 discussed, I had the privilege of sitting in on the
20 DOAH hearing a month or two ago where Judge Early
21 presided over a territorial dispute between a
22 regulated utility and another couple of entities,
23 and Commissioner -- Former Commissioner Deason
24 testified there.

25 And I thought it was very interesting that

1 Judge Early said that, in his opinion, Mr. Deason
2 was testifying as a policy witness, and that he was
3 going to allow Mr. Deason to testify, and then when
4 the record got sent to the Commission, the
5 Commission could decide what weight to give the
6 testimony of Mr. Deason.

7 I think Ms. Clark has said today that Mr.
8 Deason is not here, obviously, as a lawyer. He is
9 not being offered for his legal expertise. He is
10 being offered as a policy witness. So I don't
11 think, from that perspective, then, that because he
12 is not being offered as a legal expert, that there
13 is any need to voir dire him on his legal
14 expertise, or lack thereof.

15 So I think what we had discussed, and what I
16 would recommend to you, is that you go ahead and
17 insert his testimony into the record as though
18 read, and then Mr. Cavros, perhaps, should be given
19 the opportunity to test Mr. Deason's credibility
20 with respect to any policy recommendations that he
21 might make to you, or his credibility with respect
22 to any Public Service Commission expertise that
23 he -- or excuse me, not expertise because we are
24 not talking about expertise here, but any PSC
25 policy matters that he might want to suggest to

1 you.

2 CHAIRMAN GRAHAM: Go ahead, Mr. Cavros.

3 MR. CAVROS: Thank you, Chairman.

4 I think we are walking a fine line here
5 between policy and legal conclusions, and I would
6 just point you to a few examples in Mr. Deason's
7 testimony.

8 For instance, on page three, line 13, where he
9 states that certain criticisms by our witnesses are
10 unfounded and contrary to Florida Statutes and
11 Commission rules. I think that is, by anyone's
12 definition, a legal conclusion.

13 I would also point you to page nine, line
14 eight, where the question is: In addition to
15 Section 366.81, Florida Statutes, cited by the
16 Court, are there other statements of the Florida
17 Legislature's energy conservation policies that
18 support the RIM to set DSM goals?

19 And he says: Yes, there are two, and he goes
20 on to explain.

21 There are others as well. Page 29, on line
22 two, which answers the question, starting on the
23 previous page: Do any of Witness Grevatt's
24 disagreements justify a deviation from Commission's
25 policy?

1 No. The Commission's policy is consistent
2 with FEECA. And then he goes on to cite a rule.

3 So, you know, these are legal conclusions. I
4 mean, I know it's a fine line between stating
5 policy and conclusions, but when you apply the law
6 to a set of facts, it's a legal conclusion. At
7 least that's how they described it in law school.

8 MS. CLARK: Mr --

9 CHAIRMAN GRAHAM: Hold on a second.

10 Any change?

11 MS. HELTON: No, sir. I think maybe Mr.
12 Cavros could ask Mr. Deason about those points from
13 the stand.

14 CHAIRMAN GRAHAM: Well, we are giving Mr.
15 Cavros some room here, and he -- his position right
16 now is to talk about Mr. Deason's credibility, not
17 as a legal expert, but as a person with 40 years
18 worth of experience with the Public Service
19 Commission.

20 So I will allow you five or 10 minutes to ask
21 him questions, and it doesn't necessarily have to
22 be in his redirect, but just to speak to his
23 credibility as a policy guy.

24 MR. CAVROS: So, Chairman, our voir dire was
25 based on Mr. Deason being presented as an expert on

1 law. I will go ahead and ask him a few questions,
2 and I guess we can go from there.

3 CHAIRMAN GRAHAM: But they have already
4 determined he is not an expert on the law.

5 MR. CAVROS: Okay, but --

6 CHAIRMAN GRAHAM: If you are -- I guess I
7 don't see the need to speak of the expertise on the
8 law because they've already declared that he has
9 already admitted that he is not an expert on the
10 law.

11 MR. CAVROS: Okay. Well, then --

12 CHAIRMAN GRAHAM: Now, if you want to ask the
13 question like one of the examples you gave here,
14 how did you draw this conclusion if you are not a
15 legal expert? But that would be a fair answer -- a
16 fair question.

17 MR. CAVROS: Well, I mean, I think if the
18 Commission has ruled that -- or decided that he is
19 a policy expert versus a legal expert, then I think
20 we are just going to object to his testimony being
21 entered, his direct being entered into the record,
22 and have a standing objection to any other
23 additional statements he might make that are in the
24 record.

25 CHAIRMAN GRAHAM: That sounds even better to

1 me.

2 Okay. We will enter Mr. Deason's rebuttal
3 testimony into the record as though read.

4 (Whereupon, prefiled testimony was inserted.)

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1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**
2 **IN RE: COMMISSION REVIEW OF NUMERIC CONSERVATION GOALS**
3 **DOCKET NO. 20190015-EG (Florida Power & Light Company)**
4 **DOCKET NO. 20190016-EG (Gulf Power Company)**
5 **DOCKET NO. 20190018-EG (Duke Energy Florida, LLC)**
6 **DOCKET NO. 20190019-EG (Orlando Utilities Commission)**
7 **DOCKET NO. 20190020-EG (JEA)**
8 **DOCKET NO. 20190021-EG (Tampa Electric Company)**

9
10 **REBUTTAL TESTIMONY OF TERRY DEASON**

11 **JULY 12, 2019**

12
13 **Q. Please state your name and business address.**

14 A. My name is Terry Deason. My business address is 301 S. Bronough Street, Suite
15 200, Tallahassee, FL 32301.

16 **Q. By whom are you employed and in what capacity?**

17 A. I am employed by Radey Law Firm as a Special Consultant specializing in the fields
18 of energy, telecommunications, water and wastewater, and public utilities generally.

19 **Q. Please describe your educational background and professional experience.**

20 A. I have over forty years of experience in the field of public utility regulation spanning
21 a wide range of responsibilities and roles. I served a total of seven years as a
22 consumer advocate in the Florida Office of Public Counsel (OPC) on two separate
23 occasions. In that role, I testified as an expert witness in numerous rate proceedings

1 before the Florida Public Service Commission (Commission). My tenure of service
2 at OPC was interrupted by six years as Chief Advisor to Florida Public Service
3 Commissioner Gerald L. Gunter. I left OPC as its Chief Regulatory Analyst when
4 I was first appointed to the Commission in 1991. I served as Commissioner on the
5 Commission for sixteen years, serving as its chairman on two separate occasions.
6 Since retiring from the Commission at the end of 2006, I have been providing
7 consulting services and expert testimony on behalf of various clients, including
8 public service commission advocacy staff, county and municipal governments, and
9 regulated utility companies. I have also testified before various legislative
10 committees on regulatory policy matters. I hold a Bachelor of Science Degree in
11 Accounting, summa cum laude, and a Master of Accounting, both from Florida State
12 University.

13 **Q. For whom are you appearing as a witness?**

14 A. I am appearing as a witness for Florida Power & Light Company (FPL), Gulf Power
15 Company, Tampa Electric Company (TECO), Duke Energy Florida, LLC (Duke),
16 Orlando Utilities Commission (OUC), and JEA.

17 **Q. Have you previously submitted direct testimony in this proceeding?**

18 A. No.

19 **Q. Have you previously testified in proceedings regarding the setting of energy
20 conservation or demand side management goals by the Florida Public Service
21 Commission?**

22 A. Yes. I testified in Docket No. 130199-EI (Direct 4/2/2014 and Rebuttal Testimony
23 6/10/2014 - Florida Power & Light Company's Petition for Approval of Numeric

1 Conservation Goals).

2 **Q. Are you sponsoring any rebuttal exhibits?**

3 A. Yes. I am sponsoring Exhibit JTD-1, which is my curriculum vitae.

4 **Q. What is the purpose of your rebuttal testimony?**

5 A. The purpose of my rebuttal testimony is to respond to many of the positions and
6 recommendations contained in the testimony of Southern Alliance for Clean Energy
7 (SACE) Witnesses Jim Grevatt and Forest Bradley-Wright. Both of these witnesses
8 criticize a number of precedents and policies that have been traditionally and
9 successfully used in Florida to set appropriate Demand Side Management (DSM)
10 goals in compliance with the Florida Energy Efficiency and Conservation Act
11 (FEECA), Rule 25-17.0021, Florida Administrative Code (F.A.C.), and decisions of
12 the Florida Supreme Court. Their criticisms are unfounded, and their
13 recommendations are inappropriate, unnecessary, and contrary to Florida statutes
14 and Commission rules. In essence, they seek to have the Commission embark on a
15 path to inappropriately and arbitrarily increase DSM goals and increase rates for all
16 customers.

17 **Q. How is your rebuttal testimony organized?**

18 A: My rebuttal testimony is organized into five sections. Section I addresses cost-
19 effectiveness and the intervenor witnesses' ill-advised suggestion to chiefly rely on
20 the Total Resource Cost (TRC) test. Section II addresses cross-subsidizations and
21 the intervenor witnesses' unfounded assertions that cross-subsidies can and should
22 be disregarded when setting conservation goals. Section III addresses free-riders
23 and the intervenor witnesses' recommendation to abandon the Commission's two-

1 year payback screening criterion. Section IV addresses the SACE witnesses'
2 overarching and misapplied contention that other utilities' DSM goals should be
3 mimicked here in Florida. Section V is my conclusion.

4 5 I. COST-EFFECTIVENESS

6 **Q. What has been the Commission's policy regarding cost-effectiveness**
7 **determinations under FEECA?**

8 A. The Commission has had a long history of implementing FEECA in a manner that
9 works to minimize rate impacts on all customers and prevent cross-subsidizations
10 among customers. The Commission has relied primarily on the Rate Impact
11 Measure (RIM) cost effectiveness test in order to help ensure these results. This
12 approach has served Florida customers well for decades, with significant cumulative
13 DSM savings and minimal, if any, upward pressure on base rates.

14 **Q. Why has the Commission primarily relied on the RIM test?**

15 A. The Commission appropriately determined it was important to implement FEECA
16 consistent with its overarching responsibility to regulate in the public interest and to
17 be consistent with other provisions in Chapter 366, Florida Statutes (F.S.). The RIM
18 test was and remains the most appropriate test to achieve this regulatory consistency.

19
20
21 The RIM test accounts for both the cost of incentives paid to program participants
22 and the upward pressure on rates from unrecovered revenue requirements.
23 Incentives paid to program participants are a cost of implementing and administering

1 the program and are passed on to the general body of customers through the Energy
2 Conservation Cost Recovery Clause (ECCR) charges for the investor-owned (IOU)
3 FEECA Utilities (FPL, Duke, TECO, and Gulf Power) or through general base rates
4 for OUC and JEA. Lost revenues reduce contributions toward covering fixed costs
5 and can therefore also have significant adverse impacts on a regulated utility's
6 ability to earn a reasonable return, which in turn puts upward pressure on rates for
7 the general body of customers. (There would be similar upward pressure on the
8 rates of OUC and JEA.) Both of these extremely important considerations and
9 ramifications are ignored by the TRC test. The Commission also recognized that
10 the use of TRC could result in cross subsidies between customers and could
11 disproportionately impact low-income customers. In its Order No. 94-1313-FOF-
12 EG, the Commission stated:

13 We will set overall conservation goals for each utility based on
14 measures that pass both the Participant and RIM tests... We find
15 that goals based on measures that pass TRC but not RIM would
16 result in increased rates and would cause customers who do not
17 participate in a utility DSM measure to subsidize customers who do
18 participate.

19 ***

20 All customers, including low-income customers, should benefit
21 from RIM-based DSM programs. This is because RIM-based
22 programs ensure that both participating and non-participating
23 customers benefit from utility-sponsored conservation programs.

1 Additional generating capacity is deferred and the rates paid by low-
2 income customers are less than they otherwise would be.

3 **Q. Has the Commission always used the RIM test to set DSM goals?**

4 A. Essentially, yes. From the first time that the Commission set utility-specific
5 numerical goals way back in 1994 up until the 2009 goals proceeding, the
6 Commission consistently relied on the RIM test to set appropriate goals consistent
7 with its rules and FEECA. (In fact, the Commission applied the RIM test in
8 evaluating utility DSM programs even before the 1993-94 goal-setting proceedings.)
9 However, in 2009, the Commission tested another approach by using the TRC test
10 to set goals for some of the FEECA Utilities. When the electric rate impacts to
11 customers of this approach (and other modifications to Commission policy) were
12 recognized, the Commission ultimately decided the rate impacts resulting from the
13 TRC test were too high for FPL and Duke. Consequently, the Commission required
14 FPL and Duke to implement DSM programs that had been determined to be cost-
15 effective under the RIM test in a previous DSM proceeding. And in the most recent
16 goals-setting proceeding in 2014, the Commission again used the RIM test and
17 reiterated its appropriateness.

18 **Q. Do Witnesses Grevatt and Bradley-Wright believe that the Commission has**
19 **discretion to use the RIM test to set goals?**

20 A. Neither witness challenges the discretion of the Commission to rely on the RIM test
21 to weigh the potential rate impacts of proposed goals. They do take issue with it
22 being the primary test and assert that the RIM test is not actually a test of cost-
23 effectiveness.

1 **Q. Is the RIM test an established cost-effectiveness test recognized for purposes of**
2 **evaluating appropriate DSM goals?**

3 A. Yes, it is generally recognized as such, both nationally and in Florida. Rule 25-
4 17.008, F.A.C., references and incorporates the Florida Public Service Commission
5 Cost Effectiveness Manual (Manual). This Manual includes the RIM test, along
6 with the Participant's test and the TRC test. The Manual does not prescribe the use
7 of one test to the exclusion of another. It appropriately gives the Commission
8 discretion to evaluate the various tests and use them accordingly. The Commission
9 has historically considered all the tests and has primarily relied upon the RIM test
10 (in conjunction with the Participant's test) to set appropriate DSM goals.

11 **Q. On what basis does Witness Grevatt state that the RIM test is not an actual**
12 **cost-effectiveness test?**

13 A. He cites to the fact that the RIM test includes lost revenues as an element in its
14 calculation and opines that lost revenues do not constitute an actual cost. He further
15 opines that lost revenues only has relevancy as to the level of customers' rates and
16 not to customers' costs.

17 **Q. Has the Commission previously addressed the question of costs vs. rates in**
18 **setting DSM goals?**

19 A. Yes, this is not a new issue. Other parties and other witnesses in previous goal-
20 setting proceedings have also tried to impose a narrow definition of "cost" that
21 would preclude consideration of rate impacts and the RIM test. The Commission
22 was faced with this very issue in a motion for reconsideration of Order No. PSC-94-
23 1313-FOF-EG filed by the Legal Environmental Assistance Foundation (LEAF). In

1 its Order No. PSC-95-0075-FOF-EG, the Commission denied LEAF's motion and
2 reaffirmed its use of the RIM test, stating:

3 LEAF's argument that Rule 25-17.001(7), Florida Administrative
4 Code, uses the term "cost" in a fashion that mandates the use of the
5 TRC test to the exclusion of the Participant and RIM tests in setting
6 goals is at odds with the flexibility given under FEECA and
7 preserved in our conservation goals and conservation cost-
8 effectiveness rules. LEAF construes the term "cost" as meaning
9 "bills" when the more plausible contextual interpretation is that
10 "cost" means "rates". There has been no Commission failure to
11 consider bill impact. We have chosen to keep rates lower for all
12 customers, lowering bills for non-participants and participants.

13 **Q. Did this decision go to the Florida Supreme Court on appeal?**

14 A. Yes. In an appeal by LEAF of this Order, the Court rejected LEAF's arguments
15 that the TRC test should have been used to the exclusion of the RIM test. The Court
16 affirmed the use of RIM and further found that the Commission was compelled by
17 Section 366.81, F.S., to consider the overall effect on rates and revenue requirements
18 that the RIM test afforded. The Court stated:

19 In instructing the Commission to set conservation goals for
20 increasing energy efficiency and conservation, the legislature
21 directed the Commission to not approve any rate or rate structure
22 which discriminates against any class of customers. See § 366.81,
23 Fla. Stat. (1993). The Commission was therefore compelled to

1 determine the overall effect on rates, generation expansion, and
2 revenue requirements. Based on our review of the record, we find
3 ample support for the Commission's determination to set
4 conservation goals using RIM measures. Accordingly, we affirm
5 the orders of the Commission.

6 Legal Environmental Assistance Foundation Inc. v. Clark, 668 So.2d 982 (Fla.
7 1996).

8 **Q. In addition to Section 366.81, F.S., cited by the Court, are there other**
9 **statements of the Florida Legislature's energy conservation policies that**
10 **support the use of RIM to set DSM goals?**

11 A. Yes, there are two. The first is set forth in Section 366.82(3)(b), F.S., and the second
12 is set forth in Section 366.82(7), F.S.

13 **Q. Please explain how these statutory policy provisions support the use of RIM.**

14 A. Section 366.82(3)(b), F.S., requires the Commission to consider "The costs and
15 benefits to the general body of ratepayers as a whole, including utility incentives and
16 participant contributions." In Florida, the phrase "costs and benefits to the general
17 body of ratepayers as a whole" has its roots in determining rates that are fair and
18 which do not pit the interests of one group of customers against those of another,
19 which could result in cross-subsidies. Its application results in the protection of all
20 customers as a whole. Only the RIM test ensures that all customers in the general
21 body of customers are protected from potential cross subsidies between participants
22 and non-participants in DSM programs. Thus, the policy established by this
23 statutory provision supports the use of RIM. Likewise, the requirement to consider

1 “utility incentives” supports the use of RIM. The TRC test ignores utility incentives
2 paid to participating customers, while the RIM test appropriately considers the cost
3 of such incentives. Thus, RIM is the best test to comply with this statutory
4 requirement.

5
6 In Section 366.82(7), F.S., the Legislature grants the Commission “the flexibility to
7 modify or deny plans or programs that would have an undue impact on the costs
8 passed on to customers.” As I stated previously, the Commission has determined
9 that the correct, appropriate policy criterion for addressing how conservation
10 program costs are passed on to customers is the impact on the level of their rates.
11 Since only the RIM test considers the impact on the level of customer rates, this
12 statutory provision also supports the use of RIM. In fact, it was this statutory
13 provision upon which the Commission relied to reject programs based on TRC for
14 FPL and Duke and to revert to programs based on RIM. The Commission ultimately
15 decided the rate impacts resulting from the TRC test were too high for these utilities.
16 For example, in its Order No. PSC-11-0346-PAA-EG, the Commission stated that
17 the plan filed by FPL based on the TRC-based goals was “projected to meet the
18 goals we previously established, but at a significant increase in the rates paid by FPL
19 customers.” (page 4) It went on to find that the plan filed by FPL to meet its 2009
20 TRC-based goals would “have an undue impact on the costs passed on to consumers,
21 and that the public interest will be served by requiring modifications to FPL’s DSM
22 Plan.” (pages 4-5)

23 **Q. Did the Commission go so far as to reset the goals resulting from its 2009**

1 **decision?**

2 A. No. While it is clear that the adverse cost impacts to customers resulting from the
3 2009 TRC-based goals were unacceptable to the Commission, the Commission did
4 not change the goals it previously set. In its Order No. PSC-11-0590-FOF-EI
5 disposing of a protest to Order No. PSC-11-0346-PAA-EG, the Commission
6 reiterated that the goals based on TRC were not being changed:

7 Based upon the hearing record, briefs in opposition, and oral
8 argument, we find that the plain language of Section 366.82(7), F.S.,
9 specifically and unequivocally grants us authority to modify a
10 company's DSM plans "at any time it is in the public interest
11 consistent with this act" or when plans or programs "would have an
12 undue impact on the costs passed on to customers." Further, we
13 reiterate that we did not in any way change the DSM goals as set by
14 the goal setting order, Order No. PSC-09-0855-FOF-EG.

15

16 However, it should be noted that in the subsequent goals proceeding conducted in
17 2014, the Commission decided against setting goals based on TRC. Instead, the
18 Commission adhered to its long-standing policy of setting goals based primarily on
19 RIM. As a consequence, the Commission did not have to invoke Section 366.82(7)
20 when approving programs to meet the 2014 goals as those goals did not have an
21 undue impact on the costs passed onto customers. In its order establishing the 2014
22 goals, the Commission reiterated the appropriateness of the RIM test:

1 We find [it] appropriate to establish goals for the FEECA Utilities
2 based upon a cost-effectiveness analysis that allows all ratepayers,
3 participants and non-participants, to benefit from the Utilities' demand-
4 side management programs. Therefore, we find annual goals based
5 upon the unconstrained RIM achievable potential be adopted. As the
6 RIM test eliminates cross-subsidies, using an unconstrained RIM
7 allows for maximum participation by customers while keeping rates
8 equitable. (Page 40, Order No. PSC-14-0696-FOF-EU)

9 **Q. Do you agree with the Commission's 2014 determination?**

10 A. Yes, I do. This latest decision is consistent with the Commission's historical use of
11 the RIM test that recognizes the Commission's responsibility to regulate utilities and
12 set conservation goals in the overall public interest. It is consistent with Florida
13 Statutes, and is consistent with the decision of the Florida Supreme Court. This
14 decision shows the Commission's concern for and responsibility to the general body
15 of customers. This is evidenced by the fact that the RIM test is best suited to account
16 for the cost of incentives, to minimize rate impacts, and to avoid subsidies between
17 participating and non-participating customers.

18 **Q. Witness Grevatt states that no other state relies on RIM to screen out efficiency**
19 **measures. Should this be a basis to conclude that the RIM test is inappropriate**
20 **for Florida?**

21 A. No. Witness Grevatt draws an inappropriate inference to conclude that Florida
22 should rely exclusively on the TRC test for goal-setting. First, what other states may
23 or may not do is irrelevant when addressing the question of the appropriate cost-

1 effectiveness test to use in Florida. What is relevant is the direction provided by
2 Florida Statutes, Florida Commission Rules, and a decision of the Florida Supreme
3 Court. As I earlier explained, the Commission has consistently based its decision to
4 use the RIM test on this authority and precedent. In direct terms, the Commission
5 has applied the RIM test based on its determination and policy conclusion that DSM
6 measures should be cost-effective to all utility customers, whereas Witness Grevatt
7 would simply ignore this aspect of cost-effectiveness by defining it away. Second,
8 Florida's historical reliance on the RIM test has proven both appropriate and
9 beneficial for Florida customers.

10 **Q. Has Florida's historical reliance on the RIM test been proven to be effective**
11 **and beneficial in achieving FEECA's purposes and promoting the public**
12 **interest?**

13 A. Yes. Florida's historical reliance on the RIM test has resulted in a significant
14 amount of conservation achievements. This is shown by the following excerpt from
15 the Commission's December 2018 Annual Report on FEECA:

16 FEECA has been successful in reducing the growth rates of weather-
17 sensitive peak electric demand and conserving expensive fuel
18 resources. Since its inception, FEECA utility-sponsored DSM
19 programs have cumulatively saved 7,863 MW of summer peak demand
20 and 7,285 MW of winter peak demand, referenced in Table 3. This
21 reduction in peak demand has helped offset the use of peaking units
22 that rely on expensive fuel sources and deferred new generating
23 capacity. In 2017, FEECA DSM programs saved 210 gigawatt-hours

1 (GWh), enough electricity to power approximately 15,583 homes for a
2 year.

3

4 These accomplishments were achieved by devoting substantial resources (\$3.9
5 billion for the years 2007-2017 for the five IOUs subject to FEECA) in a cost-
6 effective manner that has helped maintain reliability, save energy, reduce the need
7 for very large amounts of new generating plants, *and* minimize rate impacts.

8 **Q. What is your recommendation?**

9 A. I recommend that the Commission reject the position of the SACE witnesses to
10 primarily use the TRC test. I further recommend that the Commission continue its
11 beneficial and long-held use of the RIM test to set DSM goals for the FEECA
12 Utilities.

13

14

II. CROSS-SUBSIDIZATIONS

15 **Q. Does Witness Grevatt address the issue of cross-subsidization?**

16 A. Yes, he does, but to a limited degree and in his own way to promote his own agenda.
17 He generally acknowledges that cross-subsidies should be avoided, but he is
18 dismissive of cross-subsidization concerns when it comes to setting conservation
19 goals. As an excuse to disregard cross-subsidizations in setting DSM goals, he
20 argues that cross-subsidies result from other regulatory decisions (including
21 decisions on supply-side alternatives). He states: “regulators approve rate increases
22 and make decisions in other proceedings regularly that create some level of inequity
23 between different customers.” (See page 10 of Mr. Grevatt’s prefiled testimony) He

1 goes on to argue that new investment is driven by new customers and gives examples
2 of new substations and new power plants. He concludes that adding new customers
3 and making investments to serve them discriminates against existing customers and
4 results in cross-subsidizations.

5 **Q. Do you agree with his argument?**

6 A. No. His argument is inconsistent with Florida's regulatory framework and his
7 examples of old customers subsidizing new customers is not factually correct.
8 Moreover, his premise that cross-subsidies can be ignored when setting DSM goals
9 is inconsistent with the Legislature's policies set forth in the Florida Statutes, the
10 Commission's development of those policies over the last four decades, and a
11 decision of the Florida Supreme Court affirming those policies.

12 **Q. Please explain how his argument is inconsistent with Florida's regulatory**
13 **framework.**

14 A. Regulation in Florida goes to great lengths to set rates which are fair, just, and
15 reasonable and which do not foster cross-subsidies between customers. This is
16 apparent in both the nature of and the extent to which costs are recognized in rates,
17 as well as in the structure of the rates themselves. The Commission has rules dealing
18 with cost of service studies and many years of precedent to ensure that rates are set
19 equitably and on a non-discriminatory basis. The Commission also has a policy of
20 having cost causers pay their fair share of the costs they place on the system,
21 especially when they engage in actions or choose options which, if not specifically
22 recognized, would cause rates for the general body of customers to increase. All of
23 this is done to minimize cross-subsidies to the greatest extent possible. In this

1 context, cross-subsidies of DSM program participants by non-participants are
2 avoided by applying the RIM test; the program participants and non-participants all
3 pay for the DSM program costs that are shown – by the RIM test – to benefit all
4 customers.

5
6 Moreover, Florida plans and approves investments as part of a coordinated grid,
7 subject to the Commission’s Grid Bill authority. It is generally understood that,
8 because the generation and transmission grid as a whole serves all customers,
9 increased investment in the grid as a whole benefits all customers, who then must
10 pay for such increased investment according to the cost of service studies and cost
11 allocations consistent with the rate class in which they take service. I do agree that
12 there is potentially a small but necessary level of averaging between customers of
13 the same class and that someone could argue, at some esoteric theoretical level, that
14 there is some cross-subsidization that remains at a very granular level. But this
15 simply attempts to confuse the practical with the perfect.

16
17 This is the important point: it is not the goal of regulation to intentionally make
18 policy decisions that knowingly will result in cross-subsidies or increase some
19 theoretical level of innate subsidies that could be argued to exist. To the contrary,
20 it is the goal of regulation to prevent cross-subsidies whenever possible and the
21 Florida Commission makes every reasonable effort to do so. It would be bad public
22 policy to intentionally engage in an action that knowingly results in cross-subsidies.
23 However, this is exactly what Witnesses Grevatt and Bradley-Wright would have

1 the Commission do. They would have the Commission adopt a cost-effectiveness
2 test, and DSM goals resulting from its application, that will knowingly result in
3 cross-subsidies between participants and non-participants.

4 **Q. Please explain how Witness Grevatt's example of old customers subsidizing**
5 **new customers is not factually correct.**

6 A. His example of new substations and new power plants resulting in cross-subsidies
7 is overly simplistic and ignores real-world considerations. First, as I just described,
8 Florida plans for and approves such investments as part of a coordinated grid which
9 is designed to reliably and cost-effectively serve all customers (the general body of
10 customers). Second, his simplistic example ignores the fact that not all investments
11 serve new customers. Many investments are necessary to retire old plant, to meet
12 new reliability requirements (such as storm hardening), or to meet new
13 environmental requirements. Third, his attempt to pit "old" customers versus "new"
14 customers is misplaced because, as noted above, the grid as a whole serves all
15 customers as a whole. His argument would lead to then charging "old" customers
16 for the cost of facilities built to replace the "old" facilities that previously served
17 them; this is simply unworkable. Fourth, new customers provide a degree of vitality
18 to a system and provide a source of revenue over which fixed costs can be spread.
19 Moreover, this new growth provides opportunities to invest in new technologies
20 with higher efficiencies, lower maintenance costs, and lower environmental
21 footprints. This has the overall effect of putting downward pressure on customer
22 rates which benefits all customers.

23 **Q. Please explain how Witness Grevatt's premise that cross-subsidies can be**

1 **ignored when setting DSM goals is inconsistent with FEECA and a decision of**
2 **the Florida Supreme Court.**

3 A. Section 366.81, F.S., sets out the Legislature’s findings and intent regarding
4 FEECA. It requires the Commission, when establishing DSM goals, to “not approve
5 any rate structure which discriminates against any class of customers on account of
6 the use of such facilities, systems, or devices.” The Commission has historically
7 and appropriately implemented this statutory provision by setting goals that do not
8 discriminate against non-participants. As I described earlier, this interpretation was
9 appealed to the Florida Supreme Court. The Court affirmed the Commission’s
10 interpretation and stated that the Commission was compelled to consider the rate
11 impacts on all customers. See Legal Environmental Assistance Foundation Inc. v.
12 Clark, 668 So.2d 982 (Fla. 1996). The Commission simply does not have the option
13 to declare this statutory requirement to be irrelevant, as Witnesses Grevatt and
14 Bradley-Wright would have the Commission do.

15 **Q. Has the Commission recognized that increased rates and cross-subsidies could**
16 **result from use of the TRC test?**

17 A. Yes. The Commission has consistently recognized that the TRC test does not
18 consider lost revenues and the impact lost revenues can have on customer rates. A
19 good example of this is contained in Order No. 94-1313-FOF-EG, which I earlier
20 referenced and which led to the Supreme Court decision I just described. In addition,
21 the Commission’s order from the most recent goal setting proceeding, Order No.
22 PSC-14-0696-FOF-EU (page 38), described how lost revenues can result in
23 increased customer rates:

1 A utility's base rates are established by us in a rate case, and
2 represent the recovery of fixed costs for items such as power plants
3 and operations. Base rates are recovered based upon customer's
4 consumption of energy, which is variable. As a result, if energy
5 consumption decreases, the FEECA Utilities would have fewer units
6 of consumption over which to spread these fixed costs. Such an
7 outcome is often referenced to as lost revenues.

8

9 In this same order and in response to the position of a SACE witness in that
10 proceeding, the Commission emphasized the potential impacts of lost revenues,
11 regardless of their origin:

12 The reduction in sales due to participation in demand-side
13 management measures would have the same effect as a sales
14 forecast that did not materialize. We note that decline in sales was
15 the primary factor in the last several electric rate cases before us. If
16 consumption is reduced enough, a utility may file a petition with us
17 for a rate increase.

18 **Q. Is this relevant to the setting of DSM goals?**

19 A. Yes. Setting goals based on the TRC test *will* result in a greater level of lost
20 revenues, *will* result in a greater likelihood of a rate case (along with the increased
21 uncertainty, increased regulatory costs, and increased workload requirements of a
22 rate case), and *will* result in higher bills for non-participants because of the cross-
23 subsidies between participants and non-participants. These facts cannot be

1 summarily dismissed simply to promote the use of one cost-effectiveness test over
2 another. Contrary to the SACE witnesses' contentions, a dismissal of these
3 outcomes would be inconsistent with the policies used by Florida to set rates and
4 Florida's policies on setting DSM goals.

5 **Q. Is this relevant for customers?**

6 A. Yes. Customers expect and deserve rates that are fair, equitable, and
7 nondiscriminatory. They want to know that the rates they pay are the same as the
8 rates paid by all other similarly situated customers on the system. They also do not
9 expect their rates to be higher because of the actions of others or benefits given to
10 other customers for which they do not qualify. It is this last customer expectation
11 which makes it so important that the rate impacts of participants versus non-
12 participants be recognized. Rates are established in Florida with the goal of
13 protecting the general body of customers. This same standard is equally applicable
14 to both base rates and rates that are passed through to customers through the ECCR
15 clause for the IOU FEECA Utilities.

16

17 **III. TWO-YEAR PAYBACK SCREENING CRITERION**

18 **Q. What is the purpose of the two-year payback screening criterion?**

19 A. Its purpose is to account for free riders. A free rider is defined as a customer who
20 would receive an incentive from the utility for a DSM measure that he or she would
21 install even without the existence of the utility provided incentive. Rule 25-

1 17.0021(3), F.A.C., requires FEECA Utilities to address free riders as part of their
2 goals analyses during the goal setting process.

3 **Q. Has the Commission consistently used a two-year payback criterion to account**
4 **for free riders?**

5 A. Yes, the two-year payback criterion was first used by the Commission in the 1993-
6 94 goals setting proceeding. It was adopted as a means to account for free riders, as
7 required by Rule 25-17.0021, F.A.C. It has been consistently used since the
8 Commission's decision in 1994, with a slight modification in the 2009 goal-setting
9 proceeding. In that case, the Commission used a modified two-year payback
10 criterion, in which a selected number of measures that were traditionally screened
11 out were nevertheless allowed to be recognized for goal setting. In the most recent
12 goal-setting proceeding, the Commission again used the two-year payback criterion
13 to account for free riders, stating:

14 We approved goals based on a two-year payback criterion to
15 identify free riders since 1994 and we find it appropriate to continue
16 this policy. (See page 27, Order No. PSC-14-0696-FOF-EU)

17

18 The Commission went on to explain its rationale for its decision, stating:

19 We find that the two-year payback criterion provides sufficient
20 economic incentive to convince a customer to participate in a given
21 energy efficiency program while balancing the requirement to account
22 for free riders and minimizing program costs and undue subsidies. (See
23 pages 26-27, Order No. PSC-14-0696-FOF-EU)

1 **Q. Do Witnesses Grevatt and Bradley-Wright agree with the use of the two-year**
2 **payback criterion to account for free riders?**

3 A. No. They do acknowledge that free riders exist and that the effect of free riders
4 should be recognized. However, they disagree with the two-year payback screening
5 methodology used by the FEECA Utilities and traditionally accepted by this
6 Commission to account for free riders.

7 **Q. On what basis does Witness Grevatt disagree with the two-year screening**
8 **criterion as applied by the FEECA Utilities?**

9 A. His arguments fall into three broad categories. First, he incorrectly asserts that the
10 two-year payback screen assumes that all measures with a payback of two years or
11 less will be installed and that the FEECA Utilities present no empirical evidence to
12 support this assumption. Second, he incorrectly asserts that it is the underlying
13 premise of utility sponsored efficiency programs to eliminate market barriers and
14 that the two-year payback screen prevents his premise from being achieved. And
15 third, he asserts that a screen for free riders should not be applied at the goal-setting
16 level, rather that it should only be part of program design.

17 **Q. As to Witness Grevatt's first area of disagreement, does the two-year payback**
18 **criterion assume there is a 100% penetration rate for all measures with a**
19 **payback of two years or less?**

20 A. No, it does not. To better explain this, it is necessary to understand what the two-
21 year payback criterion is and what it is designed to do. First, the two-year payback
22 criterion is a tool to be used by the Commission to recognize that there are free riders
23 and to set goals appropriately. It is not and was never intended to be a bright-line,

1 100% accurate predictor of customer actions and choices under all circumstances.
2 It does appropriately assume, for those customers who are willing to consider an
3 energy efficiency measure, that they will make decisions in their own economic
4 interest. The two-year payback criterion further assumes that years to payback is an
5 objective measure, the calculation of which can be verified, to use to differentiate
6 those customers who would make the investment without an incentive and those
7 who would need an additional incentive to make the investment. If customers who
8 would have adopted the measure without an additional incentive nevertheless
9 receive an incentive, they become free riders and impose additional and unnecessary
10 costs on the general body of customers.

11

12 The two-year payback criterion does not, nor should it, assume that 100% of all
13 customers will adopt a measure if its payback is two years or less. It does assume
14 that two years is a reasonable point of differentiation to predict where customers are
15 more likely to adopt a measure, based on the measure's own inherent economic
16 attractiveness, without additional incentives and costs on the general body of
17 customers. In reality, some customers will not adopt a measure regardless of its
18 payback, while others will adopt measures with paybacks longer than two years.
19 Two years has been consistently used as a reasonable point to make that
20 differentiation.

21 **Q. Does Witness Grevatt agree that customers make decisions on both sides of the**
22 **two-year point of differentiation?**

23 A. Yes, he recognizes this phenomenon. On page 21 of his pre-filed testimony, he

1 states: “Inevitably, most such programs will have some level of free ridership – from
2 both measures with shorter paybacks and measures with longer paybacks.”

3 **Q. Why should those customers who are motivated by their own economic**
4 **interests be the focus of the debate?**

5 A. All parties must recognize that the purpose of this proceeding is to set conservation
6 goals and then subsequently to adopt programs that will incent customers to
7 implement cost-effective conservation measures to achieve those goals. Therefore,
8 it is only those customers who are willing to act in their economic interests by
9 availing themselves of the programs and incentives that should be targeted. For
10 those customers who are not motivated by economics or chose not to participate for
11 other more basic reasons, it is unlikely that offering incentives is going to change
12 their views. As such, it is only those customers who are motivated for economic
13 reasons that should be subject to the free rider screens and have goals set and
14 programs offered for them to act consistent with their economic interests. Stated
15 differently, for those customers who are not motivated by the economics of the
16 offering, no goals or incentives are likely to have an impact and have them adopt
17 conservation measures. Therefore, the two-year payback criterion does not assume
18 a 100% penetration for measures with a payback of two years or less and Witness
19 Grevatt’s suggestion to the contrary demonstrates a basic misunderstanding of the
20 purpose of the screen.

1 **Q. Witness Grevatt criticizes the FEECA Utilities use of the two-year payback**
2 **screen because they offer no empirical evidence that all customers will adopt**
3 **measures with paybacks of two years or less. Is his criticism legitimate?**

4 A. No, for two basic reasons. First, as I just described, the two-year payback screen
5 does not assume that 100% of customers will adopt measures with paybacks of two
6 years or less. Neither does it assume that 0% of customers will adopt measures with
7 paybacks greater than two years. Hence, it would be impossible to provide empirical
8 evidence to demonstrate results not assumed by or even envisioned by the two-year
9 payback screen. Second, the two-year payback screen has been consistently used
10 since 1994, and the Commission in its last goals-setting order rightfully
11 characterized the use of the two-year payback screen as its policy.

12 **Q. Has Witness Grevatt provided an empirical study justifying a change in the**
13 **Commission's 25-year policy?**

14 A. No.

15 **Q. As to Witness Grevatt's second area of disagreement, is it the underlying**
16 **premise of utility-sponsored efficiency programs to eliminate market barriers?**

17 A. No. The purpose of FEECA and hence the DSM goals and programs resulting
18 therefrom, is to "protect the health, prosperity, and general welfare of the state and
19 its citizens." This can be found in Section 366.81, F.S. This same statutory
20 provision "declares that it is critical to utilize the most efficient and cost-effective
21 demand-side renewable energy systems and conservation systems" to fulfill
22 FEECA's purpose. Thus, the premise is to determine and implement the most
23 efficient and cost-effective programs. Neither FEECA nor Rule 25-17.0021, F.A.C.,

1 requires the elimination of market barriers per se. In fact, neither the statute nor the
2 rule even uses the term “market barriers.”

3 **Q. Are you suggesting that the consideration of market barriers has no role in the**
4 **establishment of DSM goals?**

5 A. No. What I am suggesting is that the elimination of market barriers is not the
6 preeminent concern as Witness Grevatt asserts. The elimination of market barriers
7 may be needed, but must be tempered with concerns of efficiency and cost-
8 effectiveness.

9 **Q. Please explain.**

10 A. The achievement of FEECA goals comes at a cost, a cost which is passed through
11 to the general body of customers through the ECCR clause for the IOU FEECA
12 Utilities and through base rates for OUC and JEA. It is in the public interest to
13 achieve goals in the most efficient manner. This results in a lesser burden on the
14 general body of customers. If costs are incurred to incentivize customers to take
15 action that they would have otherwise taken in their own economic interest, costs to
16 the general body of customers are higher than they need to be to achieve the same
17 level of conservation. It should be emphasized that the ultimate goal of the process
18 is to achieve the maximum amount of cost-effective conservation by the most
19 efficient means, whether it be through utility sponsored programs or natural market
20 forces. The goal is not to set goals higher than they should be simply for the sake
21 of having higher goals or to eliminate market barriers simply because they may exist.
22 A proper recognition of free riders is necessary to establish appropriate goals.

23

1 If goals were set and programs were implemented with the single-minded purpose
2 of simply eliminating market barriers by offering incentives where they are not
3 needed, a tipping point would eventually be reached wherein either the programs
4 become non-cost-effective (under RIM) or the cost passed onto customers becomes
5 exorbitant and not sustainable.

6 **Q. In your answer you used the term natural market forces. To what do you refer**
7 **and how is it relevant to free riders?**

8 A. I am referring to the harnessing of market forces to achieve results without the need
9 for government manipulation, interference, or subsidization. In the context of goal
10 setting and free riders, it simply recognizes that rational customers will act in their
11 own economic interest and take measures to reduce energy consumption, if it is
12 sufficiently attractive economically for them to do so. It is an example of a free
13 market economy working as it should – rational economic decisions being made in
14 one’s best interest without government intervention through mandates or provision
15 of incentives. Good examples would be customers deciding to install more efficient
16 lighting. Such customers make the economic decision to invest in such measures
17 because those measures quickly benefit them economically. In that situation, energy
18 efficiency is achieved, the customer is rewarded for his or her initiative through bill
19 savings, and the general body of customers is not asked to subsidize his or her
20 decision.

21 **Q. As to Witness Grevatt’s third area of disagreement, should free riders only be**
22 **considered at program design and not when setting goals?**

23 A. No, for three reasons. First, Rule 25-17.0021(3), F.A.C., requires that free riders be

1 considered as part of the Commission's responsibility to establish goals. It is not
2 optional as Witness Grevatt suggests. Consequently, the Commission has
3 consistently considered free riders when setting goals since 1994. Second, the
4 Commission does not design programs. The design of programs is the responsibility
5 of the FEECA Utilities. While the Commission reviews and ultimately approves the
6 programs designed by the utilities, it is more of a pass/fail standard. In making its
7 pass/fail review, the Commission considers three discrete criteria. These criteria are
8 identified by the Commission in its order approving FPL's most recent DSM plan:

9 The criteria used to review the appropriateness of DSM programs
10 are: (1) whether the program advances the policy objectives of
11 FEECA and its implementing rules; (2) whether the program is
12 directly monitorable and yields measurable results; and (3) whether
13 the program is cost-effective. (See page 2, Order No. PSC-15-0331-
14 PAA-EG, Citing FPSC Order No. 22176, issued November 14,
15 1989, in Docket No. 890737-PU)

16 And third, ignoring free riders during the establishment of goals would result in
17 goals that are not the most efficient and cost-effective and could have the
18 consequence of reaching the tipping point I earlier described.

19 **Q. Given that consideration of free riders is required when setting goals by Rule**
20 **25-17.0021(3), F.A.C., has Witness Grevatt offered any meaningful alternative**
21 **to the two-year payback criterion?**

22 A. No.

23 **Q. Do any of Witness Grevatt's disagreements justify a deviation from the**

1 **Commission's policy?**

2 A. No. The Commission's policy is consistent with FEECA and Rule 25-17.0021,
3 F.A.C. The issue of using a two-year payback criterion has been repeatedly litigated
4 by LEAF and SACE over a number of goals-setting proceedings. Their arguments
5 have been consistently rejected by the Commission, and the Commission has
6 steadfastly adhered to its policy. There is nothing presented by Witnesses Grevatt
7 and Bradley-Wright that would justify a departure from the Commission's long-held
8 policy on free riders and using a two-year payback criterion.

9

10 **IV. SACE'S PROPOSED DSM GOALS**

11 **Q. What DSM goal does Witness Grevatt recommend to the Commission?**

12 A. He recommends a goal based on annual energy sales. His specific recommendation
13 is a goal of 0.3% of energy sales ramped up incrementally over five years for a final
14 goal of 1.5% of sales starting in 2024 and then continuing at that level for the
15 remainder of the ten-year period.

16 **Q. On what basis does Witness Grevatt make his recommended goal?**

17 A. He bases his recommendation on savings achieved by Duke Energy Carolinas and
18 Entergy Arkansas, which he averaged to around 1.5% per year. He states that this
19 is the basis for his recommendation because "it is not possible to make all the needed
20 corrections to the utilities' analyses in this proceeding..." (Page 42 of Grevatt's pre-
21 filed testimony)

22 **Q. Does he recommend any peak demand goals?**

23 A. No. He states that he cannot recommend specific peak demand savings targets

1 because he arrived at his energy savings targets from a “top down” perspective. He
2 does make some extrapolations based on the ratio of TRC economic potential for
3 summer and winter peak savings to TRC economic potential for energy savings and
4 then applies this ratio to his 1.5% of sales goal. He then states: “I would suggest
5 additional analysis be undertaken to determine whether these ratios would hold...”
6 (pages 43 and 44 of Grevatt’s prefiled testimony) By failing to make a
7 recommendation for peak demand savings, his recommendation is not compliant
8 with the requirements of FEECA and Rule 25-17.001, F.A.C.

9 **Q. Is Witness Grevatt’s recommendation to set goals as a percent of sales from**
10 **other states appropriate?**

11 A. No. His energy savings goal is not consistent with the requirements of FEECA and
12 Commission rules. Mr. Grevatt spends much time and dozens of pages trying to
13 identify perceived deficiencies in the FEECA Utilities’ proposed goals under the
14 approaches required by FEECA and Rule 25-17.001, F.A.C., only to then offer a
15 proposal that is completely disconnected from any of the FEECA requirements.

16 **Q. How would Witness Grevatt’s recommended goal be inconsistent with FEECA**
17 **and Commission rules?**

18 A. Both FEECA and Commission rules require goals to be based on Florida-specific
19 data and analyses. Witness Grevatt’s goal is not Florida-specific; in fact, he
20 specifically relies on other states for his recommendations. Other inconsistencies
21 are that Witness Grevatt’s goal does not:

- 22 • Rely on a cost-effectiveness test.
- 23 • Address system reliability.

- 1 • Place demand-side and supply-side resources on a level playing
2 field.
- 3 • Keep rates low and minimize cross-subsidies.
- 4 • Address free riders.

5 **Q. Is it appropriate to base Florida’s DSM goals on those in other states?**

6 A. No. Witness Grevatt has essentially concluded because other “leading” states are
7 doing certain things that Florida should do the same. He makes overly generalized
8 assumptions and ignores substantive differences that may exist between what is
9 required in Florida (in statute and rule) and what may or may not be required in other
10 states. By totally dismissing Florida’s approach and relying on other states, he
11 shows little regard for the long-standing policy basis of setting DSM goals in
12 Florida.

13 **Q. Why is it important to consider potential differences in statutory framework
14 before making inferences about the appropriateness of conservation goals?**

15 A. Each state must follow its specific statutory framework. To automatically infer that
16 the goals established in another state under a different statutory framework are
17 what’s best for Florida, is at best flawed and at worst a potentially ill-advised way
18 to circumvent Florida’s statutes and rules.

19 **Q. Witness Grevatt points to Entergy Arkansas as a “leading” state, on which he
20 bases his recommended 1.5% goal. Have you reviewed the Rules for**

1 **Conservation and Energy Efficiency Programs adopted by the Arkansas Public**
2 **Service Commission?**

3 A. Yes, I reviewed the version last revised on January 19, 2018. I believe this to be the
4 latest version.

5 **Q. Did your review reveal anything of note relative to the issues raised by Witness**
6 **Grevatt?**

7 A. Yes. First, I do not profess to be an expert in how Arkansas has implemented its
8 rules. Implementation of its rules is within the discretion of the Arkansas
9 Commission, just as the implementation of Rule 25-17.0021, F.A.C., is within the
10 discretion of the Florida Commission. However, it appears to me that the Arkansas
11 Public Service Commission has adopted its rules consistent with the enabling
12 legislation (Ark. Code Ann. §§ 23-3-405) and that the rules reflect an earnest desire
13 to approve programs and measures that “will be beneficial to the ratepayers of such
14 public utilities and to the utilities themselves.” This is an example of how each state
15 has its own unique enabling legislation and can adopt rules which it feels best meets
16 the needs of that state. Certainly this is what Florida has done. However, what may
17 be appropriate in one state may not be appropriate in another state. This is a
18 fundamental problem with Witness Grevatt’s recommendation to impose
19 approaches in other states as appropriate for Florida.

20

21 I do note three aspects of the Arkansas Rules that pertain to the issues raised by
22 Witness Grevatt. First, the rules do not require the use of the TRC test, even though
23 I do understand that the TRC test has been used in Arkansas. The rules identify a

1 number of tests, including RIM, and then specify that “the costs and benefits
2 contained in the Manual are suggestions and are not endorsed by the Commission
3 for every program.” Second, there is a provision in Section 2 E. Customer Incentives
4 that requires all customer incentives to be considered in the benefit/cost testing of
5 programs. I interpret this provision to perhaps require considerations beyond the
6 traditional TRC test, as recommended by Witness Grevatt. As I previously
7 discussed, the traditional TRC test does not consider customer incentives. And third,
8 there is a provision in Section 7: Cost Recovery that allows “lost contributions to
9 fixed costs” to be recovered contemporaneously through a surcharge or rider. This
10 recognizes that approved programs that do not pass the RIM test will result in lost
11 revenues and lost contributions to cover fixed costs. In an apparent attempt to
12 minimize regulatory lag and the need for more frequent rate cases, the Arkansas
13 Commission recognizes the need to allow prompt recovery of these lost
14 contributions to fixed costs through a surcharge or rider. Of course, in Florida, such
15 a provision is unnecessary because Florida primarily relies on the RIM test which
16 accounts for lost contributions to fixed costs.

17 **Q. If Florida were to adopt Witness Grevatt’s recommended 1.5% of sales goal,**
18 **would there be a need for a similar provision to allow for the contemporaneous**
19 **recovery of lost contributions to fixed costs?**

20 A. Adopting goals that cause such a large reduction in sales would certainly result in
21 lost base rate revenues and the need for more frequent base rate cases and larger
22 requested increases within those rate cases. And regulatory lag would result during
23 the time period that the lost revenues are experienced and before new base rates

1 could be implemented following a rate case. This would be true for both OUC and
2 JEA, as well as the IOU FEECA Utilities. If the Commission were inclined to adopt
3 goals of the magnitude recommended by Witness Grevatt and wanted to avoid
4 regulatory lag and more frequent rate cases, some type of cost recovery mechanism
5 would be needed. However, my recommendation is for the Commission to reject
6 Witness Grevatt's recommendations and to adhere to its longstanding and consistent
7 policy of setting DSM goals primarily based on the RIM test. This would obviate
8 the need for a cost recovery mechanism as envisioned by the Arkansas Rules.

9 **Q. Has the Commission previously considered a blanket percentage of sales**
10 **proposal as a basis to set DSM goals, as Witness Grevatt is proposing?**

11 A. Yes. In the 2014 goals proceeding, witnesses for both SACE and the Sierra Club
12 proposed blanket goals expressed as a percentages of utility retail sales. Witness
13 Mims on behalf of SACE recommended a goal of 0.75% of retail sales increasing to
14 1.0%. Witness Woolf on behalf of the Sierra Club recommended a goal of 1.0% of
15 retail sales by 2019. While their recommended goals were much lower than those
16 proposed by Witness Grevatt, they took the same basic approach and their
17 recommended goals were based on goals in other "leading" states.

18 **Q. What did the Commission decide relative to their recommended goals?**

19 A. The Commission resoundingly rejected their recommended goals and approach. In
20 doing so, the Commission found that their recommended goals were not based on
21 any cost-effectiveness test and were not compliant with Rule 25-17.0021 (1), F.A.C.
22 In its Order No. PSC-14-0696-FOF-EU (page 36), the Commission stated: "We find
23 that there is no competent or substantial evidence in the record to support the goals

1 proffered by either SACE or the Sierra Club.” The same lack of competent or
2 substantial evidence is similarly a fatal flaw in the recommendations of SACE
3 Witnesses Grevatt and Bradley-Wright in these proceedings.

4 **Q. Was the Commission also concerned that their recommended goals could result**
5 **in increases to base rates?**

6 A. Yes. In its Order No. PSC-14-0696-FOF-EU (pages 38 and 39), the Commission
7 acknowledged the potential for lost revenues and explained how lost revenues could
8 cause base rates to increase. The Commission concluded: “While no formal analysis
9 was conducted, given the 20 to 40 times higher energy savings associated with Sierra
10 Club and SACE’s proposed goals, it is reasonable to conclude that an increase in
11 base rates would be likely if these intervenors’ goals were adopted.”

12 **Q. As a matter of good public policy, do you agree with the Commission’s rationale**
13 **as reflected in its 2014 order?**

14 A. Yes, I agree with the Commission’s rationale. The simplistic percentage goals
15 advocated by SACE’s witnesses in this case are similar to those advocated by SACE
16 and the Sierra Club in 2014, and they suffer from the same critical problem: their
17 recommended aggressive percentage goals would cause other customers’ rates to
18 increase and to be greater than they would otherwise be. Their recommendations
19 are not based on the appropriate public policy that regulatory authorities, like the
20 Florida Commission, should avoid cross-subsidization where possible; in fact, their
21 recommendations completely ignore this policy.

22 **Q. Do you believe that there likely would be the need to increase base rates were**
23 **the Commission to adopt Witness Grevatt’s recommended goal of 1.5% of**

1 **sales?**

2 A. Yes. Given that it was anticipated that base rates would increase with goals of only
3 1% of sales, it would be reasonable to conclude that a 50% higher goal of 1.5% of
4 sales would also increase base rates. The only issue would be at what time and by
5 what degree, given that utilities experience other factors that cause earnings to
6 increase or decrease over time. Without question, adopting Witness Grevatt's
7 recommended goal would cause rate cases to be filed sooner than otherwise and with
8 higher requested rate increases than otherwise.

9 **Q. Are you familiar with the testimonies of Witnesses Mims and Woolf that were**
10 **filed and presented in the last goals proceeding?**

11 A. Yes, I filed rebuttal testimony to both witnesses in that proceeding and attended the
12 hearing.

13 **Q. Based on your knowledge, is there anything in the testimony of Witness Grevatt**
14 **that addresses the shortcomings of Witnesses Mims and Woolf or otherwise**
15 **should convince the Commission that a blanket percentage of sales goal should**
16 **be adopted?**

17 A. No. Like the testimonies and positions advocated by SACE and the Sierra Club in
18 the 2014 FEECA Goals proceedings, neither Witness Grevatt nor Witness Bradley-
19 Wright has provided any competent or substantial evidence to support their proposed
20 percentage goals, and the Commission should reject them, just as the Commission
21 rejected similar, and similarly unsupported, proposals in 2014.

22 **Q. Do your opinions regarding the SACE witnesses' proposals that DSM goals be**
23 **set based on overall percentage reductions also apply to their recommendations**

1 **regarding goals for energy conservation programs aimed at low-income**
2 **customers?**

3 A. Yes. The SACE witnesses' position and recommendations suffer from the same
4 shortcomings. The Commission should reject their recommendations on this point,
5 just as the Commission has consistently rejected such recommendations in the past.

6 **Q. Aside from the overall shortcomings you have identified, is there any part of**
7 **Witness Bradley-Wright's recommendations that you find particularly**
8 **inconsistent with FEECA and Commission policy?**

9 A. Yes. Witness Bradley-Wright recommends "larger scale" improvements be directed
10 at low-income customers. As examples of "larger scale" improvements, he
11 recommends programs to replace heating, ventilation, and air conditioning (HVAC)
12 equipment, water heaters, and other appliance upgrades. I would assume that other
13 appliances could include such things as refrigerators, freezers, stoves, and dish
14 washers, even though his testimony is not that specific. Presumably, these large-
15 scale improvements would be made cost-free to qualifying customers, as opposed to
16 a cost-sharing or rebate approach, which is traditionally used in DSM programs for
17 such expensive measures.

18 **Q. Does Witness Bradley-Wright attempt to demonstrate that such large-scale**
19 **measures would be cost effective or would contribute to reaching goals based on**
20 **achievable potential?**

21 A. No. He applies no cost-effectiveness test to make such a determination. It is also
22 unclear whether his eligible appliances would exceed what is already required by
23 codes and standards or whether the program is designed to simply replace older

1 appliances with newer ones. In either event, his recommendation would not be
2 beneficial to the general body of customers. Neither does his recommendation
3 consider the significant cross-subsidies that would result. His recommendation
4 would cause a large increase in the cost of DSM programs that must be paid by all
5 customers, including low-income customers, through the ECCR portion of their bills
6 for the IOU FEECA Utilities and through base rates for OUC and JEA.

7 **Q. Would his recommendation cause a large increase in the amount charged to**
8 **customers through the ECCR portion of their bills.**

9 A. Yes. Given the vagueness and lack of specifics in Witness Bradley-Wright's
10 testimony, it would be difficult to calculate an exact amount. However, without
11 question, it would cause the ECCR portion of customer bills to materially increase
12 from amounts traditionally approved by the Commission. And for OUC and JEA,
13 there would be similar increases, though not through the ECCR. I fear that the
14 magnitude of the increases might cause the tipping point to be reached wherein the
15 costs and programs would not be sustainable.

16 **Q. Do you have any other concerns?**

17 A. Yes. Invariably such unproven and untested programs of this magnitude would
18 present challenges in their precise structure and administration. I also fear there
19 might be dissatisfied customers who would feel they are deserving of free appliances,
20 but who do not qualify.

21 **Q. On what basis does Witness Bradley-Wright make his recommendation?**

22 A. His recommendation is made, as he states in his testimony on page 28, "to capture
23 deep savings for each participant, sufficient to reduce electric bills enough to

1 materially improve the financial standing of the low-income customers served every
2 month for many years to follow.”

3 **Q. Is this an appropriate basis upon which to set goals and approve DSM**
4 **programs?**

5 A. No. Neither FEECA nor Commission Rules declare that improving the financial
6 standing of individual customers is a basis to set goals and approve DSM measures.
7 Rather, as I explained earlier, FEECA and Commission Rules require that goals and
8 programs be cost-effective and beneficial to the general body of customers. Witness
9 Bradley-Wright’s recommendation does not meet these standards and should be
10 rejected.

11

12 V. CONCLUSION

13 **Q. What is your conclusion?**

14 A. The goal proposed by Witness Grevatt is a blanket goal based on inappropriate
15 inferences from other states. Furthermore, his goal, as well as those suggested by
16 Witness Bradley-Wright, do not meet the requirements of FEECA and Commission
17 rules and are contrary to the good, sound public policy developed by the
18 Commission over the past three decades. The SACE witnesses’ goals should be
19 rejected. Instead, goals should be set based on the use of the RIM test, which will
20 demonstrably benefit all utility customers - the general body of customers or
21 ratepayers - and minimize cross-subsidies. The Commission should also continue
22 to use the two-year payback criterion to account for free riders in the goal-setting
23 process.

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

2 A. Yes, it does.

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1 CHAIRMAN GRAHAM: And, Mr. Deason, do you have
2 a three-minute summary?

3 THE WITNESS: I do.

4 CHAIRMAN GRAHAM: Feel free.

5 THE WITNESS: Okay. I hope to be very brief.

6 The Commission has a long history of
7 implementing the requirements of FEECA and its
8 rules, and has done so successfully ever since
9 1994. And there is certain policies that the
10 Commission has adopted that it has used to be
11 compliant with FEECA. Several of those have been
12 objected to, or criticized by the SACE witnesses.
13 One is the use of the RIM test.

14 I defend the RIM test. I think it is
15 appropriate. I think it is the best test that we
16 have to use to meet the requirements under FEECA
17 and the Commission rules. That is because the RIM
18 test takes into account lost revenues. It also
19 takes into account the cost of incentives. The TRC
20 test does not. The RIM test also prevents cross-
21 subsidizations which is also in FEECA.

22 Another area of the criticism is the use of
23 the two-year payback. And I believe that the
24 two-year payback, again, has a long history and has
25 a basis for its use, and that it is the best tool

1 that we have to address free riders.

2 And then I address the goals proposed by the
3 SACE witnesses. Those goals are based upon a
4 percentage of sales. There is no cost-
5 effectiveness test applied to that. Because of
6 that, I conclude that that is not consistent with
7 the way the Commission has historically set goals,
8 and not consistent with FEECA, and that the goals
9 should be rejected just as they have been -- were
10 rejected in the last goal setting proceeding.

11 That concludes my summary.

12 CHAIRMAN GRAHAM: Thank you, sir.

13 MS. CLARK: Mr. Deason is available for
14 cross-examination.

15 CHAIRMAN GRAHAM: Mr. Deason, welcome back.

16 THE WITNESS: Thank you, Mr. Chairman.

17 CHAIRMAN GRAHAM: OPC?

18 MS. FALL-FRY: No questions.

19 CHAIRMAN GRAHAM: Ms. Wynn?

20 MS. WYNN: No questions.

21 CHAIRMAN GRAHAM: Kelley1.

22 MS. CORBARI: No questions.

23 CHAIRMAN GRAHAM: Mr. Cavros?

24 EXAMINATION

25 BY MR. CAVROS:

1 Q Good afternoon, Mr. Deason.

2 A Good afternoon.

3 Q Mr. Deason, you are not licensed to practice
4 law in the state of Florida, correct?

5 A I am not.

6 Q And you are not licensed to practice law in
7 any state in the U.S., correct?

8 A That's correct.

9 Q And you don't have a law degree, correct?

10 A Correct.

11 Q And, in fact, your education degrees are in
12 accounting, correct?

13 A Correct.

14 Q And it's your opinion the Commission should
15 use the Rate Impact Measure test in conjunction with the
16 two-year payback elimination screen, correct?

17 A Yes.

18 Q And in your testimony, you purport to, even
19 though you profess you are not an expert on Arkansas
20 law, you do engage in some analysis of Arkansas law,
21 correct?

22 A I read the Arkansas rule, and I, after 40
23 years, am versed in the concepts contained within that
24 rule, and I did point out some things that I thought
25 would be helpful to the Commission.

1 **Q Do you have an opinion on DSM achievements**
2 **based on the RIM and two-year payback?**

3 A Within what context?

4 **Q Within the last several years.**

5 A I am sorry, I couldn't -- could you repeat
6 that, please?

7 **Q Sure.**

8 **Do you have an opinion on DSM achievements by**
9 **Florida utilities based on the RIM and two-year payback**
10 **over the last several years?**

11 A I have not looked at the actual achievements
12 since the last goal setting proceeding.

13 **Q But you did look at Arkansas law in relation**
14 **to the goals that were proposed?**

15 A No, I just looked at Arkansas -- it was -- it
16 was the SACE witnesses that referenced Arkansas as a
17 leading state. And so I took it upon myself to look at
18 Arkansas enabling statute and the rule that Arkansas
19 adopted to get a further understanding of what the
20 process and procedures were in Arkansas.

21 MR. CAVROS: Chairman, I would like to mark an
22 exhibit at this point --

23 CHAIRMAN GRAHAM: Sure. Staff.

24 MR. CAVROS: -- and if staff could --

25 CHAIRMAN GRAHAM: We are at 346, I believe.

1 Mr. Cavros, we will mark this exhibit as 346.

2 MR. CAVROS: Thank you, Chairman.

3 (Whereupon, Exhibit No. 346 was marked for
4 identification.)

5 CHAIRMAN GRAHAM: Mr. Deason, do you have a
6 copy of this?

7 THE WITNESS: I do.

8 CHAIRMAN GRAHAM: Mr. Cavros.

9 BY MR. CAVROS:

10 Q Okay. Mr. Deason, do you see on the front
11 page the title, the 2018 State Energy Efficiency
12 Scorecard?

13 A I see that.

14 Q Okay. And do you see at the bottom that it's
15 published by the American Council for an Energy
16 Efficient Economy?

17 A I see that.

18 Q And if you turn the page and look down at the
19 first column, you see that Arkansas is achieving a
20 energy savings rate as it relates to retail sales of
21 .69 percent?

22 A See that reported there.

23 Q Okay. And do you know where Florida is
24 ranked? Can you find it there? It would be on the
25 right-hand column close to the bottom.

1 And as a percentage of 20 -- the incremental
2 savings in Florida is a percentage of retail sales in
3 2017 was .09; is that what that states?

4 A That's what it states.

5 Q Okay. And the states below Florida are
6 Kansas, Alaska, North Dakota, Louisiana and Alabama.
7 Did I describe that correctly?

8 A That's what I read.

9 MR. CAVROS: Okay. I have no further
10 questions, Chairman. Thank you.

11 CHAIRMAN GRAHAM: All the way across to staff.

12 MS. DUVAL: No questions.

13 CHAIRMAN GRAHAM: Commissioners. Commissioner
14 Brown.

15 COMMISSIONER BROWN: Thank you.

16 Hi, Mr. Deason.

17 THE WITNESS: Hello.

18 COMMISSIONER BROWN: Thank you for being here.

19 THE WITNESS: Thank you.

20 COMMISSIONER BROWN: I asked a question, I
21 think it was of Dr. Sim, regarding the intent of
22 FEECA. And given your history with the Commission
23 and your years of experience, I am curious what you
24 think the intent of FEECA is today, and what it was
25 when it was established.

1 THE WITNESS: I think the intent of FEECA when
2 it was first established, and even today, that the
3 basis for that is still the same.

4 COMMISSIONER BROWN: Is it to help shift load?

5 THE WITNESS: There is -- that's one of the
6 requirements, is to help shift load, yes, and, you
7 know, energy efficiency and conservation and reduce
8 the reliance on fossil fuels.

9 I think all of that is still relevant, but I
10 think there has been changes in technologies.
11 There has been changes in cost structures. There
12 has been lots of changes have been -- solar for
13 one, cost-effectiveness of solar.

14 So -- but I think that the basis of FEECA, and
15 the fact that it is based upon a determination of
16 cost-effectiveness still makes it relevant. And
17 that when you look at all of the measures and apply
18 an appropriate cost-effectiveness test, that you
19 can still achieve the requirements of FEECA, and be
20 compliant with FEECA and goals -- appropriate goals
21 would result from that process that we are
22 following here today.

23 COMMISSIONER BROWN: That's good. I mean, I
24 understand with the challenges with more stringent
25 building codes and energy efficiency standards, a

1 utility's ability to claim additional savings is
2 different today than when the statute was first
3 implemented. But do you think there is still an
4 inherent need for utilities to interact with
5 customers nonetheless regarding encouraging
6 conservation.

7 THE WITNESS: Yes, I strongly agree with that.
8 And it's my understanding, based upon what I have
9 heard yesterday and today, and looking at some of
10 the filings in this docket, that it is the
11 utility's intent to continue that customer
12 outreach. And I understand that outreach takes --
13 it varies from utility to utility, but generally
14 they try to outreach to local community
15 organizations, local governments, and try to -- and
16 of course there is the audit program that they
17 have, and that all of this is going to continue.

18 COMMISSIONER BROWN: I look forward to the
19 program segment of this part.

20 And just one last question regarding the
21 payback screen period. Do you think there should
22 be a different -- have you ever contemplated there
23 would be a different payback screen for different
24 types of customer groups, commercial versus
25 residential, to ensure appropriate consideration of

1 the free-rider-- potential free-ridership?

2 THE WITNESS: No, it's not been done in this
3 case. And the Commission's rule requires that the
4 goals would be set based upon two groups of
5 customers and not a subset of those; basically
6 residential and commercial and industrial.

7 It's never been done before. I don't think it
8 was ever contemplated that it should be done
9 differently. I think that the two-year payback has
10 a sound basis in Florida in how it's been
11 developed, and -- the economic basis for that. And
12 there has been testimony presented in other
13 proceedings that support that.

14 And I believe that RIM continues to be the
15 appropriate cost -- I mean, be the appropriate
16 cost-effectiveness test and that the free-ridership
17 should be done by the two-year payback.

18 COMMISSIONER BROWN: For all customer groups?

19 THE WITNESS: For all customer groups. Yes.

20 COMMISSIONER BROWN: Thank you.

21 CHAIRMAN GRAHAM: Commissioner Polmann.

22 COMMISSIONER POLMANN: Thank you, Mr.

23 Chairman.

24 Good afternoon, Mr. Deason.

25 THE WITNESS: Yes, sir.

1 COMMISSIONER POLMANN: I want to reference
2 Florida Statute 366.82. There is, I believe, a
3 copy on maybe the back table -- podium there behind
4 you if you --

5 THE WITNESS: I think I have that in my
6 notebook, so -- 366.82, yes, sir, I have that.

7 COMMISSIONER POLMANN: And are you familiar
8 with this -- tell me to what degree you are
9 familiar with this statute.

10 THE WITNESS: Well, I am, here again, not an
11 attorney and don't profess to be one, but I am -- I
12 have a working knowledge of this statute. And I
13 had the responsibility to interpret this statute
14 when I served on the Commission, and to make
15 appropriate policy decisions to implement this
16 statute.

17 COMMISSIONER POLMANN: So if I were to ask you
18 some questions about this, would you be able to
19 give an informed opinion or from your experience on
20 the Commission maybe help me understand how you
21 applied this?

22 THE WITNESS: I would certainly hope so,
23 Commissioner. I would endeavor to be of
24 assistance.

25 COMMISSIONER POLMANN: Thank you.

1 Just looking down the paragraphs here, 366.82
2 paragraph (1)(a) and (b), that appears to be
3 definitions, would you agree with that?

4 THE WITNESS: Yes, (a) and (b) are
5 definitions, yes.

6 COMMISSIONER POLMANN: Okay. Thank you.

7 And paragraph two, when it says the Commission
8 shall adopt and then there is a series of
9 sentences. That appears to give direction from the
10 Legislature to the Commission, is that how you
11 interpret that paragraph?

12 THE WITNESS: Well, yes. I interpret the word
13 "shall" to be a directive, a requirement to adopt
14 appropriate goals, and that those -- and when
15 you -- by appropriate, there is some interpretation
16 there. But when you read the statute in its
17 entirety and how the Commission has interpreted
18 that, the cost-effectiveness is one of the
19 requirements to set appropriate goals.

20 COMMISSIONER POLMANN: So from your experience
21 on the Commission, and working with this subject
22 matter over the years, the term "appropriate", that
23 is something that is subject to interpretation by
24 the Commission, there is some latitude in terms of
25 how that word is used by the policy-makers at the

1 Commission; is that your understanding?

2 THE WITNESS: Yes. I think the statute allows
3 a foundation and a framework within which the
4 Commission must operate, cost-effectiveness being
5 one of those.

6 But, yes, the Commission does have discretion,
7 and I think the statute gives that discretion to
8 the Commission. I think the Legislature realizes
9 that the Commission has the inherent expertise to
10 follow the broad framework and make decisions. And
11 particularly in response to Commissioner Brown's
12 questions, things do change, and so goals are going
13 to change.

14 COMMISSIONER POLMANN: Thank you, sir.

15 Looking at paragraph three, it says here the
16 Commission shall evaluate -- and then I will skip
17 down to the end of that introductory part of
18 paragraph three. In establishing the goals, the
19 Commission shall take into consideration. And then
20 there is a list of A, B, C, D.

21 And my question for you, sir, is when it says
22 the Commission shall take into consideration, and
23 there is a list A, B, C, D, in your experience
24 working at the Commission, and in your
25 understanding of how this is utilized, the list of

1 A, B, C, D that the Commission should be taking
2 into consideration, is it your understanding that
3 list is limiting? Is that an all-inclusive list
4 that the Commission should take into consideration?

5 THE WITNESS: Well, the statute really doesn't
6 decide on whether the Commission has discretion to
7 consider others, but I would interpret it that the
8 Commission does have the discretion. But without
9 question, the Commission has to consider these, and
10 has to make an informed judgment based upon the
11 criteria set out here when it's setting goals.

12 COMMISSIONER POLMANN: So from your experience
13 and knowledge, do the policy-makers have the
14 latitude to consider other things as well?

15 THE WITNESS: I would say yes, as long as it
16 is consistent with the general purpose and
17 framework established by FEECA.

18 I wish I could be more specific, but that's --
19 I mean, you have got to abide by FEECA, but then if
20 things are consistent with FEECA that are outside
21 these particular enumerated factors, you know, I
22 think the Commission probably has the discretion to
23 do that.

24 COMMISSIONER POLMANN: Thank you, sir.

25 That's all I have, Mr. Chairman.

1 CHAIRMAN GRAHAM: Redirect?

2 Mr. Cavros.

3 MR. CAVROS: Mr. Chairman, I would just like
4 to, again, just restate our objection to Mr.
5 Deason's testimony, especially in light of Article
6 V, Section 21, recently passed by voters as, I
7 believe, a Ballot No. 6 that states that an officer
8 hearing an administrative action pursuant to a law
9 may not defer to an administrative agency's
10 interpretation of such statute or rule, but instead
11 must interpret such statute de novo.

12 So to the extent that Mr. Deason is relying on
13 his and past interpretations of what this agency
14 has done, the new constitutional provision requires
15 that a hearing officer consider such things de
16 novo.

17 MS. CLARK: Mr. Chairman, I absolutely
18 disagree with that interpretation. That has
19 reference to what a court may do when it gets an
20 appeal of an agency decision.

21 CHAIRMAN GRAHAM: Okay.

22 Redirect?

23 FURTHER EXAMINATION

24 BY MS. CLARK:

25 **Q Mr. Deason, you were asked some questions by**

1 **Commissioner Polmann. I would like to follow up on that**
2 **and ask you if you think the purpose and mission of**
3 **FEECA is being met through the utilities' filings?**

4 A Yes. What's being proposed by the process and
5 the procedure has -- that's been filed in this case has
6 been consistent with previous cases. Those cases have
7 been -- the outcome been determined to be consistent
8 with FEECA. I think what's been proposed here is
9 definitely consistent with FEECA, and that it would meet
10 the requirements of FEECA.

11 Q I would like to turn your attention to the
12 exhibit.

13 MS. CLARK: Did this get an exhibit number?

14 CHAIRMAN GRAHAM: It's 346.

15 BY MS. CLARK:

16 Q Mr. Deason, have you ever seen this before?

17 A No, I have not seen this before.

18 Q And would you know, based on what is in this
19 exhibit, whether or not these figures would represent an
20 apples to apples comparison across the states?

21 A I have no idea. But I think the numbers on
22 this exhibit actually support one of my main statements
23 in my testimony, in that each state is different. And
24 that it is inappropriate just to draw a number, in this
25 case .69 percent, which is substantially lower than the

1 1.5 percent recommended, but nevertheless, the 6.9
2 percent in Arkansas, it may be appropriate for Arkansas.
3 That does not mean that it is appropriate for Florida.

4 Each state has its own set of guidelines and
5 requirements. And Florida has been doing conservation
6 and energy efficiency for a long time, and it has been
7 successful in Florida.

8 So every state is different, and I think it's
9 inappropriate to simply have a percentage of sales goal
10 based upon what may have been achieved in another state
11 and use that as a target for Florida.

12 **Q Mr. Deason, will you take a minute to read the**
13 **footnote, please?**

14 A Okay, I have read that.

15 **Q And doesn't that indicate that the data**
16 **reported is not equivalent across the states?**

17 A There appears to be some modifications to the
18 data. And apparently it has not consistently been
19 reported, which is probably to be expected. Every state
20 probably does things a little differently.

21 MS. CLARK: Thank you, Mr. Chairman. That's
22 all I have.

23 CHAIRMAN GRAHAM: Exhibits? Your mic is off.

24 MS. CLARK: I would move Exhibit 92.

25 CHAIRMAN GRAHAM: We will -- if there is no

1 objections, we will -- well, there is an objection.
2 If there is no objection, we will enter Exhibit 92
3 into the record.

4 (Whereupon, Exhibit No. 92 was received into
5 evidence.)

6 CHAIRMAN GRAHAM: Mr. Cavros.

7 MR. CAVROS: Without waiving its objection,
8 SACE would move to enter Exhibit NO. 346.

9 MS. CLARK: Mr. Chairman, we object to that
10 exhibit. No foundation has been laid. It is
11 incomplete on its face, and it doesn't even provide
12 an appropriate comparison on the face of the
13 document, so we object to it being entered into the
14 record.

15 CHAIRMAN GRAHAM: I think we will enter it
16 into the record and give it the weight it's due.

17 (Whereupon, Exhibit No. 346 was received in
18 evidence.)

19 CHAIRMAN GRAHAM: Any other exhibits? That's
20 it?

21 MS. CLARK: Thank you, Mr. Chairman.
22 May this witness be excused?

23 CHAIRMAN GRAHAM: Mr. Deason, travel safe.

24 (Witness excused.)

25 CHAIRMAN GRAHAM: Okay. Mr. Herndon.

1 Whereupon,

2 JIM HERNDON

3 was called as a witness, having been previously duly
4 sworn to speak the truth, the whole truth, and nothing
5 but the truth, was examined and testified as follows:

6 MS. CLARK: Thank you, Mr. Chairman.

7 EXAMINATION

8 BY MS. CLARK:

9 Q Mr. Herndon, are you the same Mr. Herndon that
10 previously filed direct testimony in this proceeding?

11 A Yes, I am.

12 Q And have you also filed prefiled rebuttal
13 testimony consisting of 16 pages?

14 A Yes, I have.

15 Q And if I asked you the same questions today
16 contained in your rebuttal testimony, would your answers
17 be the same?

18 A Yes, they would.

19 MS. CLARK: Mr. Chairman, I would ask that Mr.
20 Herndon's rebuttal testimony be inserted in the
21 record as though read.

22 CHAIRMAN GRAHAM: We will insert Mr. Herndon's
23 prefiled rebuttal testimony into the record as
24 though read.

25 MS. CLARK: Thank you.

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(Whereupon, prefiled testimony was inserted.)

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**
2 **IN RE: COMMISSION REVIEW OF NUMERIC CONSERVATION GOALS**

3
4 **DOCKET NO. 20190015-EG (Florida Power & Light Company)**

5 **DOCKET NO. 20190016-EG (Gulf Power Company)**

6 **DOCKET NO. 20190018-EG (Duke Energy Florida, LLC)**

7 **DOCKET NO. 20190019-EG (Orlando Utilities Commission)**

8 **DOCKET NO. 20190020-EG (JEA)**

9 **DOCKET NO. 20190021-EG (Tampa Electric Company)**

10
11 **REBUTTAL TESTIMONY OF JIM HERNDON**

12
13 **Q. Please state your name, position of employment, and business address.**

14 A. My name is Jim Herndon. I am Vice President in the Strategy and Planning Practice
15 within the Utility Services business unit of Nexant, Inc. (Nexant). My business
16 address is 1255 Crescent Green Drive, Suite 455, Cary, North Carolina 27518.

17
18 **Q. Did you previously submit direct testimony in this proceeding?**

19 A. Yes, I did.

20
21 **Q. What is the purpose of your rebuttal testimony?**

22 A. The purpose of my rebuttal testimony is to respond to the testimonies of Witnesses
23 Grevatt and Bradley-Wright filed on behalf of the Southern Alliance for Clean Energy

1 (SACE). Specifically, I respond to their incorrect assertions that consideration of
2 naturally-occurring efficiency accounts for free ridership and that the Achievable
3 Potential (AP) is understated because the effect of early retirement of measures is not
4 taken into account. I also respond to Witness Grevatt's criticism regarding inclusion
5 of non-electric impacts in the Total Resource Cost (TRC) test, his estimates of the
6 economic potential (EP) for Duke Energy Florida (DEF), Orlando Utilities
7 Commission (OUC), and JEA without the two-year payback screen, and items on his
8 list of so-called "potential study conservatisms." Please note that for the particular
9 SACE witness contentions I am addressing, Witness Bradley-Wright re-states many
10 of the same statements made by Witness Grevatt. Therefore in many cases I will
11 simply refer to the assertions of Witness Grevatt in my rebuttal testimony; however,
12 this should not be construed as acceptance or acquiescence of the same or similar
13 positions and statements made by Witness Bradley-Wright.

14
15 **Naturally Occurring Efficiency/Free Ridership**

16 **Q. Do you agree with Witnesses Grevatt's and Bradley-Wright's assertions that the**
17 **potential effects of free riders were already excluded from estimates of the AP**
18 **because naturally-occurring efficiency was excluded from the technical potential**
19 **(TP)?**

20 A. No. SACE's witnesses incorrectly assert that free ridership effects were double
21 counted in Nexant's estimates of Achievable Potential (AP) because we included
22 consideration of naturally-occurring efficiency in developing our estimates of TP.
23 (Grevatt testimony, pages 20, 39; Bradley-Wright testimony, page 16.) This assertion

1 incorrectly combines two discrete and separate components of the Market Potential
2 Study (MPS) that address different issues and are applied in different ways to the
3 Demand Side Management (DSM) measures included in the study. The study's
4 consideration of naturally-occurring efficiency in each utility's forecast calibrates
5 measure parameters, such as baseline efficiency and current saturation, to align with
6 forecasted energy trends that include historic customer behavior and past DSM
7 program performance, but does not address the likelihood of *future* free ridership if
8 the measure is included in a utility-sponsored DSM program. Therefore, an additional
9 analysis step was necessary to account for free riders, as required by Commission Rule
10 25-17.0021(3), F.A.C.

11 The consideration of naturally-occurring efficiency included in the utility's
12 base load forecast is a necessary step to ensure that the identified TP addresses the
13 future potential for energy efficiency and not energy efficiency already included in the
14 utility forecast. Accounting for naturally-occurring efficiency reflects existing market
15 trends for energy consumption, independent of utility-sponsored DSM programs.
16 Naturally-occurring potential is an inherent characteristic of baseline energy
17 consumption trends, and must be included to accurately quantify energy savings
18 potential that may be achieved through utility-sponsored programs.

19 As stated in Section 5.1.1 of Nexant's MPS Reports for each utility subject to
20 the Florida Energy Efficiency and Conservation Act (FEECA Utilities), this naturally-
21 occurring efficiency included two known sources: (a) the impacts of the Florida
22 Building Code and of federal equipment standards, including appliance efficiency
23 standards (collectively, Code and Standards) and (b) baseline measure adoption of

1 already implemented Energy Efficiency (EE) technologies and measures. To align
2 with the utility forecast, adjustments were made to individual measure assumptions,
3 including the baseline efficiency level and applicability factors that account for current
4 saturation of the measure in the utility's service territory. For example, the utility
5 residential load forecast may assume that some customers have installed heat pump
6 water heaters on their own, which would be considered naturally-occurring efficiency.
7 Nexant aligned our saturation assumptions for this measure with the utility forecast
8 assumptions so that TP was only applied to customers that have not installed a heat
9 pump water heater. However, aligning with utility forecast assumptions does not
10 address the likelihood of future free ridership for those remaining customers in a
11 utility-sponsored DSM program (i.e., in this example, those customers that have yet to
12 install a heat pump water heater).

13 In order to address the issue of free riders (customers who might take
14 advantage of a utility incentive payment for a DSM measure that they would have
15 implemented without the incentive), the study included the additional analysis step
16 of the two-year payback screen, consistent with prior FEECA proceedings. This two-
17 year screen, which eliminated measures from the EP that had a simple payback of
18 less than two years, is intended to minimize the impacts of free ridership in the utility
19 goal-setting process in order to ensure that utility resources are utilized to support
20 DSM measures that produce energy and demand savings that are not likely to be
21 achieved without the utility-sponsored program.

22 While both components address DSM measures in the study, the naturally-
23 occurring efficiency component is applied within individual measure parameters to

1 calibrate the baseline and applicability factors to the current utility forecast, while the
2 free ridership component is applied to determine which measures should be
3 eliminated from consideration in setting DSM goals due to higher likelihood of future
4 free ridership.

5
6 **Q. Do you agree with Witness Grevatt's assertion that because Nexant excluded**
7 **naturally-occurring efficiency from its assessment of TP, the application of the**
8 **two-year payback screen at the EP stage means that the AP was "double**
9 **adjusted" for potential free riders?**

10 A. No. As stated above, the alignment with the utility load forecast ensured that the
11 measures in the study used baselines consistent with current assumptions in the utility
12 load forecast and historic customer behavior. This alignment step adjusted baseline
13 efficiency levels and applicability factors within measures, including the effects of
14 measures already implemented by customers and thus reflected in the utility's load
15 forecast, but did not consider future free ridership. The two-year payback screen was
16 needed to account for free riders, as required by the Commission Rule 25-17.0021(3),
17 F.A.C., and was applied during the economic screening process. There is no double
18 counting, as asserted by SACE's Witnesses Grevatt and Bradley-Wright.

19
20 **Q. Does Witness Grevatt assert that there should be no adjustment for free-riders if**
21 **the TP excludes naturally-occurring efficiencies?**

1 A. No. In fact, on page 21, lines 6-15, Witness Grevatt acknowledges that it is appropriate
2 to address free ridership “both in setting savings goals and in the design and
3 implementation of programs.”
4

5 **Q. Is Nexant’s treatment of naturally-occurring efficiencies consistent with other
6 MPSs Nexant has done?**

7 A. Yes. In all MPSs we conduct, Nexant is very deliberate about aligning our study
8 assumptions, including measure savings and applicability factors, with utility load
9 forecasts and current equipment saturation data. This alignment is done so that the
10 identified market potential provides relevant information on potential efficiency
11 savings that are in addition to savings already reflected and included in the utility’s
12 base load forecast.
13

14 **Q. Is Nexant’s treatment of naturally-occurring efficiencies consistent with industry
15 practice regarding estimating TP?**

16 A. Yes, it is the practice in the industry to ensure that the estimation of TP clearly
17 identifies how naturally-occurring efficiency is considered and whether it is
18 incorporated into the TP or addressed elsewhere.

19 Interestingly, Witness Grevatt references a 2015 Arkansas Efficiency Potential
20 Study by Navigant, Inc. at page 41 of his testimony. This Arkansas study addressed
21 including naturally-occurring efficiency in the utility forecast of future energy sales,
22 and stated that the resulting efficiency potential did not address free ridership. For the

1 savings potential estimated in that study, the final report¹ states on page 13 that “*All*
2 *savings reported in the Potential Study are gross, rather than net, meaning that the*
3 *effect of possible free ridership is not included in the reported savings*”. Further in
4 the same paragraph, the report states “*We note that Navigant requested the utilities to*
5 *provide forecasts of future sales which did not include anticipated reductions from*
6 *demand-side management (DSM) programs; however, we expect that naturally*
7 *occurring conservation or change in energy intensity are included in those forecasts*”
8 (emphasis supplied). This description indicates that for the Arkansas study,
9 Navigant’s approach was similar to Nexant’s MPS for the FEECA Utilities, relying on
10 utility forecast data that included naturally-occurring efficiency but not the effects of
11 not-yet-implemented utility DSM program measures, such that the use of this forecast
12 data did not incorporate consideration of free ridership in the results.

13
14 **Q. Is the TP methodology used by Nexant for FEECA Utilities consistent with other**
15 **Nexant TP studies?**

16 A. Yes. While each potential study is specific to the characteristics of the service territory
17 being analyzed, including customer composition, climate, past DSM
18 accomplishments, applicable DSM measures, regulatory and legislative requirements,
19 and other factors, the TP estimates for the FEECA Utilities followed the same
20 methodology that Nexant has used in other studies.

21

¹ Navigant Consulting, Inc., Arkansas Energy Efficiency Potential Study, Final Report, prepared for the Arkansas Public Service Commission, June 1, 2015.

1 **Early Retirement of Existing Equipment**

2 **Q. Witness Grevatt asserts that Nexant’s AP inappropriately excludes early**
3 **retirement of measures. Please explain what is meant by early retirement.**

4 A. Early retirement, in the context of DSM measures, is the replacement of existing
5 electricity-consuming equipment that is still functioning prior to the end of that
6 equipment’s useful life.

7
8 **Q. Does the concept of early retirement affect all efficiency measures?**

9 A. No. Early retirement only applies to a subset of measures when estimating AP. These
10 measures are referred to in the MPS as “equipment” measures, which include direct
11 replacement for existing equipment, such as heat pump replacements or water heater
12 replacements. “Non-equipment” measures are the other category of measures, which
13 are not direct replacements for existing electricity-consuming equipment, but affect
14 the performance of specific types of equipment. Examples of non-equipment
15 measures include building envelope improvements (such as insulation) that impact
16 HVAC equipment or controls that impact lighting equipment. Early retirement is not
17 applicable to non-equipment measures.

18

19 **Q. How did Nexant address this “early retirement” issue?**

20 A. Nexant did not include the early retirement of existing equipment in the market
21 potential study as the inclusion of early retirement does not impact the long-term AP
22 and introduces increased uncertainty and subjectivity into the study. Rather, Nexant’s
23 approach to identifying market potential focuses on the natural turnover cycle of

1 equipment. This turnover cycle assumes an even distribution of equipment
2 replacement over the equipment useful life (EUL). For example, for a measure with a
3 10-year measure life, 10% of the stock is assumed to be replaced each year.

4

5 **Q. Is Nexant's treatment of early retirement appropriate?**

6 A. Yes. For a long-term market potential study, such as this study that analyzes the
7 market potential over a 10-year period, the application of an even distribution of
8 equipment turnover results in a population of equipment eligible for the installation of
9 DSM equipment measures each year of the study. While early equipment retirement
10 may be allowed or encouraged in specific utility DSM program designs, for the
11 purposes of identifying and calculating the market potential, it is reasonable to assume
12 a consistent turnover rate each year for the application of market adoption curves (i.e.,
13 that customers will replace older equipment at the end of its useful life).

14 The introduction of an additional population of "early retirement" customers
15 would primarily create a shift between years (i.e., if a customer would have been in
16 the natural replacement population in Year 2 but was included in an assumed early
17 retirement population in Year 1, that customer would shift from Year 2 to Year 1),
18 but the long-term 10-year potential would remain essentially the same because that
19 customer would have been included in the study in either case.

20 While there could hypothetically be a slight increase in savings in the short-
21 term for some early retirement measures where the existing equipment is less efficient
22 than required by current Code and Standards, once the existing equipment is assumed

1 to reach the end of its measure life, the savings from that point forward are the same
2 as measures that are based on natural turnover.

3 In addition, while the introduction of early retirement measures has minimal
4 impact on the long-term cumulative AP, it creates additional uncertainty and
5 subjectivity in the study in several ways. First, an assumption must be made as to the
6 average remaining life of the early retirement measure. As Witness Grevatt points
7 out, the Arkansas Technical Reference Manual (TRM) “allows for early replacement
8 of certain measures” and includes specific algorithms for determining the savings and
9 remaining useful life. However, as described in Volume 2, Section 1.8.1 of the TRM,
10 the calculation of remaining useful life in this TRM is based on the specific age of
11 existing equipment being analyzed, indicating that the application of early retirement
12 savings is intended for program delivery and evaluation of specific participating
13 equipment, not to broadly estimate the average remaining EUL applicable across an
14 entire service territory.

15 Second, an assumption must be made as to the average efficiency level of the
16 existing equipment stock. With natural turnover (replacement at the end of EUL),
17 the baseline is a straightforward, easily quantified value that aligns with current Code
18 and Standards. However, for early retirement, an estimate of how far the typical
19 existing equipment is below code must be determined, which, similar to the remaining
20 EUL, is challenging to broadly estimate as an average across an entire service
21 territory. Without accurate data on either the typical remaining useful life or the
22 existing equipment efficiency value, the short-term savings cannot accurately be
23 estimated.

1 **Q. What effect would application of Witness Grevatt's early retirement**
2 **recommendation have on the AP for the FEECA Utilities?**

3 A. The effect of adding early retirement as a separate class of customers in the study
4 would be negligible on the AP estimates for each of the FEECA Utilities, with
5 increased complexity and uncertainty to the results. Hypothetically, there might be a
6 slight change in the short-term potential for some equipment measures based on the
7 assumed number of years of remaining life of the baseline equipment, in those cases
8 where the baseline equipment is assumed to be at some level below current applicable
9 Codes and Standards, but as I mentioned above, this would not materially impact the
10 long-term potential identified in the study.

11 In addition, it should also be noted that while early retirement only applies to
12 the subset of measures that are direct equipment replacements, not all measures within
13 this subset would be included in the AP because early retirement measures are
14 frequently not cost-effective, as Witness Grevatt acknowledges on page 26 of his
15 testimony. Because early retirement assumes that the existing equipment is functional
16 and would continue to operate, the incremental cost of the DSM measure is the full
17 equipment and labor cost to install the measure, rather than the incremental material
18 cost relative to the cost of the baseline equipment. Therefore, in my opinion, there
19 likely would be very few, if any, equipment measures that would be cost-effective to
20 implement as early retirement measures.

21

22 **Q. Is Nexant's treatment of early retirements consistent with other studies Nexant**
23 **has done?**

1 A. Yes. For estimating long-term market potential, Nexant typically analyzes equipment
2 measures based on natural turnover of existing equipment.

3

4 **Other Study Criticisms**

5 **Q. For the FEECA Utilities for whom Nexant conducted the AP Study, how did**
6 **Nexant estimate the potential when the most efficient measure for an end use was**
7 **shown to be not cost effective, but a lower level efficiency measure was shown to**
8 **be cost effective (Grevatt testimony, page 28, line 16 to page 29, line 17)?**

9 A. Nexant initially ran our proprietary Technical, Economic, and Achievable Potential
10 (TEA-POT) models to estimate the TP including all measures considered in the study.
11 For both EP and AP, the TEA-POT models were re-run, and in each case only eligible
12 measures that passed the cost-effectiveness screening were included. Thus, if the most
13 efficient appliance measure was not cost-effective, it was excluded, but the effects of
14 the next most-efficient appliance of the same type would be included if it was cost-
15 effective. Therefore, SACE's criticism of EP and AP estimates for end-uses with
16 multiple competing measures is not applicable to the analysis performed by Nexant.

17

18 **Q. Do you agree with Witness Grevatt's assertion that for some measures the non-**
19 **incentive cost assumptions were unreasonably high (Grevatt testimony, page 32,**
20 **lines 9-14)?**

21 A. No. In each instance where Nexant analyzed EP and AP, and developed non-incentive
22 cost assumptions for utilities, the cost assumptions were based on actual program

1 performance data from the FEECA Utilities and other regional and national utilities,
2 which provided a reasonable proxy for utility-sponsored DSM program costs.

3

4 **Q. On pages 34, lines 6 through 12 of his testimony, Witness Grevatt claims the**
5 **efficiency level assumed in the studies for heat pump water heaters is one of**
6 **several “problematic assumptions” underlying Nexant’s analyses. Is the**
7 **efficiency level of heat pump water heaters assumed by Nexant appropriate for**
8 **this study?**

9 A. Yes. As Witness Grevatt notes, the Energy Factor (EF) assumed in the study was 2.5.
10 Typically measure efficiency levels are estimated based on industry-accepted
11 efficiency criteria, such as ENERGY STAR equipment specifications. In this case,
12 the assumed average EF used in the study actually exceeds the current ENERGY
13 STAR EF specification of 2.0 for water heaters 55 gallons or less and 2.2 for water
14 heaters larger than 55 gallons. Therefore, rather than understating the savings per unit
15 as suggested by SACE, the study actually assumed higher savings than could be
16 achieved by an efficient unit simply meeting the ENERGY STAR EF specification in
17 recognition that there is available equipment in the market that exceeds the ENERGY
18 STAR qualification criteria, and this assumed efficiency level is an appropriate
19 estimate for this measure.

20

21 **Q. Did Nexant assume a 20-year cap on measure lives as Witness Grevatt asserts on**
22 **page 34, lines 20 through 25?**

1 A. No, Witness Grevatt's assertion is incorrect. There was no measure life cap applied
2 for this study. Each measure's equipment useful life was independently researched
3 and referenced.

4

5 **Q. Witness Grevatt asserts the calculations performed for the TRC test are flawed**
6 **because of a failure to include all participant benefits, specifically benefits**
7 **relating to other fuel savings, water savings, and non-energy benefits (page 35,**
8 **lines 8-22). Have you included these participant benefits in your analysis?**

9 A. No. Because this analysis is being conducted to determine electric impacts and relates
10 to electric utility goal setting, the TRC analysis only included electric system benefits.
11 From discussions with the FEECA Utilities, it is Nexant's understanding that this is
12 consistent with prior studies that were utilized in prior FEECA goal setting
13 proceedings. With regard to non-energy benefits, these benefits are not typically
14 included in the TRC test.

15

16 **Q. On page 39, line 8 to page 40, line 23, Witness Grevatt provides estimates of the**
17 **economic potential for DEF, OUC and JEA without a two-year payback screen.**
18 **Are the estimates provided reasonable?**

19 A. No, the estimates made by Witness Grevatt are an extremely simplistic ratio related to
20 Gulf Power's results, which ignores numerous critical factors such as differences in
21 customer composition for each utility, differences in measure impacts by service
22 territory, and most importantly, differences in utility avoided costs which include
23 avoided energy, avoided generation, and avoided transmission and distribution, which

1 can vary widely by utility. Developing the estimated EP in Nexant's MPS took months
2 of analysis of individual measures and utility forecast data, and the application of
3 utility-specific economics to develop an accurate estimate of EP. Developing an EP
4 by using a simple percentage increase based on a rounded comparison value from
5 another utility ignores differences between the utilities and is analytically unsound.

6
7 **Summary**

8 **Q. Have the SACE witnesses demonstrated that any of Nexant's data inputs,**
9 **assumptions, methods, or models are flawed?**

10 A. No. The issues raised by the SACE witnesses are either based on incorrect
11 understanding or incorrect interpretations of individual components of the FEECA
12 Utilities' MPSs, or relate to study parameters that were applied consistent with FEECA
13 requirements. Nexant conducted comprehensive, accurate MPSs that reflect relevant
14 market conditions and adhere to the regulatory environment applicable for each
15 FEECA Utility.

16
17 **Q. Are the APs estimated by Nexant appropriate for setting Energy Efficiency Goals**
18 **for DEF, JEA, OUC, Gulf, and FPUC?**

19 A. Yes, the APs estimated by Nexant are based on current market conditions, sound and
20 documented assumptions, the best available cost and load information from these
21 utilities, well-established and approved analytical techniques, and the regulatory
22 structure and policies applicable for each FEECA Utility.

23

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

2 A. Yes.

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1 BY MS. CLARK:

2 Q Mr. Herndon, is there -- are there any
3 exhibits to your rebuttal testimony?

4 A No, there were not.

5 Q Mr. Herndon, do you have a summary of your
6 rebuttal testimony?

7 A Yes.

8 Good afternoon, Commissioners. As I described
9 yesterday, the market potential studies completed for
10 the FEECA utilities are detailed in robust analyses
11 conducted using Nexant standard approach for potential
12 studies, which align with industry methods.

13 The study results are reasonable and accurate
14 assessments of DSM potential for the FEECA utilities.
15 The issues raised in the criticisms of the studies in
16 the testimonies of the SACE witnesses are based on an
17 incorrect understanding or the interpretation of the
18 steps included in our study.

19 SACE has mistakenly conflated naturally
20 occurring efficiency in free-ridership. These are both
21 part of the market potential studies, however, they are
22 two different concepts that address entirely separate
23 issues and are analyzed in different ways.

24 Accounting for -- accounting for naturally
25 occurring efficiencies, an early baseline step in the

1 study that's necessary to determine how much potential
2 there is that's over and above the current load forecast
3 so that the potential is not overstated or understated,
4 but makes sense relative to the forecast.

5 In contrast, consideration of free-ridership
6 is a prospective regulatory requirement for the goal
7 setting process which addresses the separate issue of
8 whether measures should be included in utility DSM
9 incentive programs and, therefore, should be included in
10 the utility goals.

11 SACE's criticism that the achievable potential
12 is understated because early retirements were not
13 considered is incorrect.

14 First, the concept of early retirement only
15 applies to equipment measures, which is a subset of all
16 the measures considered.

17 Second, in our studies, we use the natural
18 turnover cycle for these equipment measures, assuming
19 the amount being replaced each year has an even
20 distribution based on the measure life. Early
21 retirement would not result in any meaningful change to
22 the long-term result. It merely just shifts the year of
23 participation within the study period.

24 And third, there are typically very few
25 measures, if any, that are cost-effective as early

1 **Q Mr. Herndon, you just talked about early**
2 **retirement. You would agree that early retirement could**
3 **create additional short-term savings opportunities?**

4 A There is a potential for that in the, maybe,
5 year or so that it could take effect. But typically, as
6 I said, those early retirement only applies to a
7 small -- could apply to a small set of measures, and
8 typically none of those measures are cost-effective, so
9 it likely would not have any effect in a study like
10 this.

11 **Q And just to be clear, Nexant did not include**
12 **early retirement in the market potential study?**

13 A We did not. We looked at the natural turnover
14 cycle. So we looked at the measure life, divided up the
15 measures across the measure life and assumed those
16 measures could get replaced on that natural turnover
17 cycle.

18 **Q Do you have an exhibit that was handed out in**
19 **front of you?**

20 A I do.

21 MR. MARSHALL: This would be Exhibit 347.

22 CHAIRMAN GRAHAM: That is correct.

23 (Whereupon, Exhibit No. 347 was marked for
24 identification.)

25 BY MR. MARSHALL:

1 **Q Do you do you recognize this document?**

2 MS. CLARK: Mr. Marshall, what is the title of
3 the document?

4 MR. MARSHALL: It is -- description is FPL
5 001386, colon, 20190015, dash, SACE's 1st POD's No.
6 11, FPL, underscore, result comparison, tab per
7 customer template, dash, RES. It was also -- it
8 was Exhibit No. 2 to Mr. Herndon's deposition.

9 MS. CLARK: Thank you.

10 THE WITNESS: Yes, I do recognize it.

11 BY MR. MARSHALL:

12 **Q And this is a tab from the results workbook**
13 **that Nexant did that has the measure level and roll-up**
14 **results of the energy efficiency analysis?**

15 A That's correct.

16 **Q And so the market potential study that Nexant**
17 **did looked at the market potential over a 10-year**
18 **period?**

19 A That's correct.

20 **Q Many of the measure lives contained on Exhibit**
21 **No. 347 are in excess of 10 years, isn't that true?**

22 A Yes. The measure lives range from, I don't
23 know, a year or two, up to more than 20 years.

24 **Q Thank you.**

25 MR. MARSHALL: No further questions.

1 CHAIRMAN GRAHAM: Staff?

2 MS. DUVAL: No questions.

3 CHAIRMAN GRAHAM: Commissioners?

4 Redirect?

5 MS. CLARK: No questions.

6 CHAIRMAN GRAHAM: Exhibits?

7 MR. MARSHALL: Mr. Chairman, I think we are
8 the only one, and we would move exhibit 347 into
9 the record.

10 CHAIRMAN GRAHAM: If no objections, we will
11 enter 347 into the record.

12 (Whereupon, Exhibit No. 347 was received into
13 evidence.)

14 MS. CLARK: Mr. Chairman, may Mr. Herndon be
15 excused?

16 CHAIRMAN GRAHAM: He doesn't want to stay with
17 us?

18 Mr. Herndon, thank you for coming. Travel
19 safe.

20 THE WITNESS: Thank you.

21 (Witness excused.)

22 CHAIRMAN GRAHAM: Florida Power & Light.

23 MR. COX: Chairman Graham, while Mr. Koch is
24 getting situated, I just wanted to give you a quick
25 update on the proposal.

1 CHAIRMAN GRAHAM: Hold on a second so you can
2 get closer to the mic so my court reporter can hear
3 you.

4 MR. COX: I apologize.

5 CHAIRMAN GRAHAM: I can hear you, but she
6 needs to hear you.

7 MR. COX: Is it that better?

8 CHAIRMAN GRAHAM: That's good.

9 MR. COX: Thank you.

10 Just a quick update on the proposal that I
11 mentioned earlier that we said we would try to get
12 by tomorrow morning, and as we see the hearing
13 moving along, we very done our best to get
14 something together today, right now, and we do have
15 it available to circulate now and would be open to
16 discussing it. And Mr. Koch, our witness is the
17 person who would be able to discuss the ins and
18 outs of what we put together so far.

19 But it is a commitment that we would like to
20 put on the record in this proceeding, so we would
21 like to circulate it and then allow you to consider
22 it.

23 CHAIRMAN GRAHAM: Let's circulate what you
24 have.

25 MR. COX: Okay.

1 CHAIRMAN GRAHAM: Let's have Mr. Koch hold on
2 until after the last witness --

3 MR. COX: Okay.

4 CHAIRMAN GRAHAM: -- and we will decide if we
5 want to bring him back up to answer specific
6 questions --

7 MR. COX: Okay.

8 CHAIRMAN GRAHAM: -- or what, if anything, we
9 want to do with this.

10 MR. COX: Okay. I will have someone
11 distribute it and we will get started with Mr.
12 Koch.

13 CHAIRMAN GRAHAM: Okay.

14 MR. COX: Thank you.

15 Chairman Graham, FPL would call its first
16 rebuttal witness, Thomas R. Koch.

17 Whereupon,

18 THOMAS R. KOCH
19 was recalled as a witness, having been previously duly
20 sworn to speak the truth, the whole truth, and nothing
21 but the truth, was examined and testified as follows:

22 EXAMINATION

23 BY MR. COX:

24 **Q Mr. Koch, you were sworn in at the start of**
25 **this hearing, weren't you?**

1 A Yes, I was.

2 Q Could you please state your name for the
3 **record?**

4 A Thomas R. Koch.

5 Q And, Mr. Koch, who is your current employer
6 **and your business address?**

7 A It's Florida Power & Light. And it's 6100
8 Village Boulevard, West Palm Beach, Florida, 33407.

9 Q Did you cause, Mr. Koch, to be filed on
10 **July 12th, 2019, 33 pages of rebuttal testimony in this**
11 **proceeding?**

12 A Yes.

13 Q I am sorry, I forgot to ask you again, your
14 **current position with FPL?**

15 A Oh, excuse me. Senior Manager of DSM Strategy
16 Cost and Performance.

17 Q Okay. Thank you.

18 **And then in relation to your July 12th, 2019,**
19 **rebuttal prefiled testimony, did you also cause to be**
20 **filed on August 2nd, 2019, an errata correcting your**
21 **prefiled rebuttal testimony?**

22 A Yes, I did, for a couple of scrivener
23 errors -- scriveners errors.

24 Q At this time, Mr. Koch, do you have any other
25 **changes or corrections to your prefiled rebuttal**

1 testimony?

2 A No, I don't.

3 Q And if I were to ask you the same questions
4 today as were contained in your prefiled rebuttal
5 testimony as corrected by the August 2nd errata, would
6 your answers be the same?

7 A Yes, they would.

8 MR. COX: Chairman Graham, FPL would request
9 that Mr. Koch's prefiled rebuttal testimony as
10 corrected be inserted into the record as though
11 read.

12 CHAIRMAN GRAHAM: We will insert Mr. Koch's
13 prefiled rebuttal testimony as corrected into the
14 record as though read.

15 (Whereupon, prefiled testimony was inserted.)

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ERRATA SHEET

DIRECT TESTIMONY

WITNESS: ANDREW W. WHITLEY

<u>PAGE #</u>	<u>LINE #</u>	<u>CHANGE</u>
Exhibit AWW-4	Sensitivity Case 2	In columns “Number of DSM Measures” and “Surviving TRC Path Screening,” change “700” to “794”

WITNESS: STEVEN R. SIM

<u>PAGE #</u>	<u>LINE #</u>	<u>CHANGE</u>
Exhibit SRS-4	Last line of title	Change “w/o AFUDC” to “w/ AFUDC”

REBUTTAL TESTIMONY

WITNESS: THOMAS R. KOCH

<u>PAGE #</u>	<u>LINE #</u>	<u>CHANGE</u>
6	4	Before “FPL’s” insert “3.”
22	22	Delete “for” in front of “in”

WITNESS: ANDREW W. WHITLEY

<u>PAGE #</u>	<u>LINE #</u>	<u>CHANGE</u>
4	15	Delete “non-cost-effective”

I. INTRODUCTION

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Q. Please state your name and business address.

A. My name is Thomas R. Koch. My business address is 6100 Village Boulevard, West Palm Beach, Florida 33407.

Q. Have you previously submitted testimony in this proceeding?

A. Yes.

Q. Are you sponsoring any exhibits in this case?

A. Yes. I am sponsoring Exhibits TRK-5 and TRK-6, which are attached to my testimony:

TRK-5 – Estimated Cost to Achieve SACE's Proposed Low Income-Specific Goals; and

TRK-6 – SACE's response to FPL Interrogatory No. 1.

Q. Please provide an overview of Florida Power & Light's (FPL) rebuttal testimonies.

A. The testimony of the Southern Alliance for Clean Energy (SACE) witnesses Mr. Forest Bradley-Wright and Mr. Jim Grevatt (collectively the SACE witnesses) provided stunningly extreme proposals. Notably, both witnesses omit any assessment of the disastrous and counterproductive multi-billion-dollar economic burden their recommendations would inflict on FPL's customers; a consequence with which they appear totally unconcerned. In addition, their proposals do not comply with the requirements of the Florida Energy Efficiency and Conservation Act (FEECA) nor the Commission's

1 Rule 25-17.0021, F.A.C (the Goals Rule), unlike FPL’s comprehensive
2 analyses supporting its proposed 2020-2029 Demand-Side Management
3 (DSM) Goals (which apparently did not yield SACE’s pre-determined
4 outcomes). In an apparent attempt to distract attention from these glaring
5 deficiencies, the witnesses instead proffer a series of superficial, flimsy and
6 improper calculations, radical policy shift recommendations, inaccurate and/or
7 misleading statements, and inconsequential quibbles with FPL’s analyses. In
8 sum, their proposals are fatally flawed and should be rejected by the
9 Commission. FPL is providing rebuttal testimonies of five witnesses – Dr.
10 Steven R. Sim, Mr. Andrew W. Whitley and me, and jointly sponsoring Terry
11 Deason and Nexant’s Jim Herndon with the other utilities subject to FEECA
12 (FEECA Utilities) – to collectively address the most significant of the
13 numerous issues with the SACE witnesses’ testimonies.

14 **Q. Do you have any overall observations regarding the SACE witnesses’**
15 **testimonies?**

16 A. Yes. I have three primary overall observations:

17 1. This docket is about Goal-setting. FPL has proposed Goals that are
18 compliant with Commission Rules and supported by rigorous,
19 comprehensive and detailed analyses which took many months of
20 work to perform. By contrast, SACE has done the exact opposite. The
21 SACE witnesses have reverted to their standard “percent of retail sales
22 (sales)” dogma which, as it was in the 2014 Goals docket, is non-
23 compliant, incomplete, devoid of any credible support instead relying

1 on a handful of simplistic, and in some cases incorrect, “back of the
2 envelope” calculations in lieu of any real analysis. SACE has once
3 again begun with its pre-conceived end in mind rather than performing
4 the required analyses and seeing what the true outcome should be.
5 They also engage again in transparent attempts to gut, circumvent
6 and/or eliminate analysis steps required by this Commission in order to
7 reverse engineer the answer to suit their purposes. SACE seeks to
8 distract from the weaknesses of its positions with various irrelevant
9 critiques of FPL’s analyses. Given this stark contrast, FPL’s proposal
10 remains the only viable proposal before the Commission, and FPL
11 requests the Commission continue to embrace FPL’s data-driven
12 approach and once again reject SACE’s non-compliant approach.

13 2. This docket is also about who pays for DSM and how much. FPL’s
14 position, supported by the Commission for decades, is clear: the
15 impact on customer rates and avoiding/minimizing cross-subsidization
16 is critical. That is the reason for FPL’s unwavering support of cost-
17 effectiveness based on the Rate Impact Measure (RIM) and Participant
18 tests, as well as the two-year payback as the means to accomplish
19 these objectives for the benefit of all customers – particularly low
20 income customers. In contrast, the SACE witnesses pitch unsupported
21 proposals costing tens of billions of dollars including inherent cross-
22 subsidization due to lack of cost-effectiveness. SACE shows total
23 disregard for the financial consequences to FPL’s customers. Cost-

1 effectiveness is a key requirement of FEECA, and its execution via the
2 proven methods above ensures the best outcome for customers.

3

4 FPL's analysis remains unchallenged as compliant, comprehensive and robust.
5 Witness Grevatt stated: "*There are literally at least tens of thousands of*
6 *different assumptions...*" (page 33, lines 23 and 24). Yet tellingly, the SACE
7 witnesses chose not to undertake a disciplined look at FPL's information
8 despite FPL's responses to their extensive interrogatories and requests for
9 production of documents. Ultimately, out of all this detailed information,
10 SACE only picked a few comparatively minor and non-impactful items for
11 their criticisms. All of these have been readily dispensed of by FPL's rebuttal
12 testimonies. This speaks directly to the rigor and quality of FPL's Goals
13 analyses demonstrating that FPL's Goals proposal is fully backed by the
14 required analytical support for approval.

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

16 A. My rebuttal testimony addresses certain assertions and proposals made by
17 SACE witnesses Bradley-Wright and Grevatt. Concerning the direct
18 testimony of witness Bradley-Wright, which focuses solely on low income,
19 FPL is empathetic to the financial challenges faced by low income customers
20 and has, in fact, proposed retention and expansion of its Low Income
21 program. However, witness Bradley-Wright deems this insufficient and
22 instead advocates an extreme, unreasonable and unsupported Low Income-
23 specific Goals scheme. Of course, he makes no mention that his proposal

1 comes with a whopping \$4.1 billion incremental cost just to address low
2 income customers that would be recovered through the Energy Conservation
3 Cost Recovery (ECCR) clause from all FPL customers, particularly harming
4 non-participant low income customers. In addition, it is procedurally
5 improper because it is beyond the scope of FEECA and the Goals Rule. To
6 bolster his ill-conceived proposal, he drops any pretense of cost-effectiveness
7 testing. In addition, he makes a host of unsupported, incorrect and misleading
8 statements. This appears to be nothing more than a veiled attempt to
9 circumvent, via a “back door”, the required cost-effectiveness testing and free
10 rider consideration by proposing high Goals for low income customers, in
11 effect increasing the rates for all customers including low income customers.
12 In addition, he knowingly and improperly volunteers “guidance” to the
13 Commission regarding DSM Plans and program design even as he
14 simultaneously acknowledges that such issues are improper and beyond the
15 scope of this Goals docket.

16
17 Regarding witness Grevatt, I address flaws in his “analytical” work. In
18 particular, I demonstrate that the “benchmarking” upon which he relies to
19 justify his extreme 1.5% percent of sales Goal improperly violates the most
20 basic benchmarking methodology principles. In addition, I address a series of
21 his assertions apparently designed to distract attention from the Goal’s
22 astronomical rate impact equivalent cost of approximately \$28 billion. These
23 include the assertion that FPL de facto adopted a three-year payback and

1 complaints regarding FPL’s Economic Potential (EP) MW and GWh numbers
2 and certain measures’ non-incentive costs. Though he devotes a very large
3 portion of his testimony to these assertions, they essentially just amount to
4 minor quibbles, which ultimately are meaningless because they are incorrect
5 and have zero material impact on the outcome of the analyses (*i.e.*, the
6 Achievable Potential).

7

8 **II. SACE WITNESS BRADLEY-WRIGHT’S LOW INCOME**

9

RECOMMENDATIONS

10

11 **Q. Witness Bradley-Wright begins his testimony with a discussion of low**
12 **income customers’ “energy burden.” Do you have concerns with his**
13 **statements?**

14 **A.** Yes. Witness Bradley-Wright’s discussion includes a number of incorrect and
15 misleading statements. In an attempt to lay a foundational basis for the large
16 Low Income-specific Goals and programmatic recommendations which come
17 later in his testimony, he states that low income customers face a high energy
18 burden and asserts that it should be the responsibility of utilities’ general body
19 of customers to remedy this issue.

20

21 On page 4, line 1 of his testimony, he presents a Figure 1 titled: “*Quartile*
22 *Energy Burdens of Low-Income Households in Southeastern Cities.*” In the
23 caption under Figure 1 he adds the following statement: “*Low-income*

1 *households in Florida cities in this study face high energy burdens. On*
2 *average, half the low-income households in Jacksonville, Tampa, Orlando,*
3 *and Miami have an energy burden greater than 7.2%, and a quarter of them,*
4 *over 12%. The national average is 3.5%.”*

5
6 Then, in the text that follows Figure 1, he states: “*Figure 1 above shows the*
7 *total energy burdens (both household and transportation) in major Florida*
8 *cities...*” (page 4, lines 12 and 13, emphasis added)

9 **Q. Please point out the problems with witness Bradley-Wright’s Figure 1**
10 **and the text that accompanies it.**

11 A. There are several problems with what he is attempting to convey. First, he has
12 included irrelevant data in Figure 1 and he apparently doesn’t understand what
13 the data he’s showing represents. The data in Figure 1 was extracted from
14 Figure ES1 of an American Council for an Energy-Efficient Economy
15 (ACEEE) report which he attaches as Exhibit FBW-2 (page 6 of 56). This
16 docket addresses electric utility DSM Goals. It does not address the subject of
17 automobiles, trucks, buses, subways, trains, bicycles, walking, or other modes
18 of transportation. It also does not address gas and heating fuel which are
19 included in the study’s energy burden values (Exhibit FBW-2, page 9 of 56).
20 By combining both the overly-broad household energy and transportation
21 information, he rendered Figure 1 essentially meaningless for the purposes of
22 this docket, which addresses resources for electric utilities, not various modes
23 of transportation or non-electric energy costs. Presenting household energy

1 and transportation data combined makes one wonder if witness Bradley-
2 Wright was merely lazy/careless or whether the incompatible data (for the
3 purposes of this docket) was used intentionally to create a desired impression.
4 Neither explanation reflects well on his testimony.

5
6 Further undermining this data's meaningfulness in this docket, it appears that
7 witness Bradley-Wright actually does not understand what the data he is
8 showing represents. On page 9 of Exhibit FBW-2, ACEEE states: "*For low-*
9 *income families, the majority of household income goes towards rent,*
10 *transportation, and energy, in that order. In this study we measure only home*
11 *energy burden, which includes all spending on a home's energy utility bills.*
12 *Spending on rent, water, and transportation is outside the scope of this*
13 *analysis.*" (emphasis added). If this statement correctly represents the data
14 underlying ACEEE's Figure ES1, it means witness Bradley-Wright doesn't
15 understand the data he's relied on and has characterized it incorrectly. In sum,
16 witness Bradley-Wright has included irrelevant non-electric and possibly
17 transportation data in his Figure 1 rendering this figure and his statements
18 flawed and misleading.

19
20 Second, the statement below his Figure 1 "*the national average is 3.5%*" is
21 irrelevant if the purpose of the figure is, as the title indicates, to compare cities
22 in the Southeastern U.S. A national average reflects irrelevant and possibly
23 misleading non-Southeastern data.

1 Third, when comparing the data for the 13 Southeastern cities included in
2 Figure 1, the four Florida cities appear to have the 2nd, 3rd, 5th, and 8th lowest
3 energy burden values. Miami, the only city shown which is in FPL's service
4 territory, is the 2nd lowest. Other non-Florida cities in the Southeast such as
5 Memphis, New Orleans, Birmingham, and Atlanta have significantly higher
6 values. No one disputes that low income individuals face burdens, but Figure
7 1 appears to indicate that the energy burden in Florida cities and in FPL's
8 service territory in particular, is considerably lower than in a number of other
9 Southeastern cities outside of the State of Florida. This is directly reflective of
10 FPL's focus on keeping electric rates low for all customers, a strategy that
11 would be eviscerated by witness Bradley-Wright's recommendations.

12

13 In summary, witness Bradley-Wright's Figure 1, and his explanation of it, is
14 misleading, possibly incorrect, and confusing on several levels. Most
15 importantly, Figure 1 has been rendered meaningless for the purpose of this
16 docket if he's including transportation and non-electric data with household
17 energy use.

18 **Q. What is the next problematic statement that needs to be addressed by**
19 **witness Bradley-Wright?**

20 A. He states on page 5, lines 15 and 16: "*Energy efficiency is widely recognized*
21 *as the best strategy for reducing high energy burdens.*" (emphasis added)

1 The problem with such a sweeping statement is that he provides no support
2 for it. As a result, the inclusion of this statement begs at least two questions:
3 (a) recognized by whom, and (b) what strategy choices were considered? By
4 providing no backup support for this statement, it appears entirely possible
5 that the “wide recognition” is largely/solely from the energy efficiency
6 industry for which such a statement is self-serving (see FPL witness Sim’s
7 testimony for additional discussion on the energy efficiency industry and its
8 standard positions/advocacy).

9

10 Certainly other approaches might be possible. For example, it would seem
11 logical that a low income individual might answer that the best strategy is
12 higher income/wages. And I seriously doubt that any low income individual
13 would view raising electric rates unnecessarily due to implementation of non-
14 cost-effective DSM to be a “best” strategy. To the contrary, it would seem far
15 more likely that this individual’s answer would be that whatever you do, don’t
16 make the situation worse by raising electric rates. In fact, this Commission’s
17 policy of focusing on rate impacts has led to FPL’s low income customers
18 having among the lowest energy burdens in the Southeast, as demonstrated by
19 Bradley-Wright’s own exhibit.

20

21 In summary, without documentation that supports this statement, the
22 statement is at best questionable, and therefore, meaningless for purposes of
23 this docket.

1 **Q. Witness Bradley-Wright recommends that the Commission set separate**
2 **“formal” Goals for Low Income. Is this appropriate?**

3 A. No. His ill-conceived recommendation is as procedurally inappropriate as it is
4 unnecessary. There is no provision in the Commission Goals Rule for
5 establishing a set of secondary Low Income-specific Goals. Rule 25-0021(3),
6 F.A.C. states that the Commission shall set Goals based on: “... *the total,*
7 *cost-effective, winter and summer peak demand (KW) and annual energy*
8 *(KWH) savings reasonably achievable in the residential and*
9 *commercial/industrial classes...*” This means there are only six Goals to be
10 established; three for residential customers and three for business customers.
11 There is no provision for “extra” Goals in addition to those prescribed by the
12 Goals Rule.

13 **Q. Why did you state that in addition to being inappropriate, such a Goals**
14 **recommendation is unnecessary?**

15 A. In my direct testimony, FPL proposed to retain and expand its existing Low
16 Income program. This is because the traditional Energy Efficiency (EE)
17 measures that had been a source of assistance to low income customers no
18 longer make sense because they are not cost-effective. Although FPL’s
19 current Low Income program is not cost-effective, FPL is empathetic to the
20 financial challenges faced by low income customers and believes continuing
21 to provide assistance to this vulnerable group is appropriate and warranted to
22 replace eliminated EE program options that will no longer be available.
23 FPL’s proposal is consistent with the Commission 2014 Goals docket Order

1 No. PSC-14-0696-FOF-EU, wherein the Commission recognized the
2 importance of supporting these customers.

3

4 In order to enable this, FPL proposed merely adding the MW and GWh
5 related to low income measures to its proposed three residential Goals.
6 Although this Rule-compliant approach was acknowledged by witness
7 Bradley-Wright in his testimony, he instead suggests a non-compliant
8 approach of creating a separate set of Goals for no apparent good reason. On
9 page 12, lines 15 thru 17 of his testimony, he claims the Commission needs to
10 take this step in order to “...bring additional clarity in evaluation
11 standards...and lead to greater savings impact for low-income customers.”
12 However, he provides not one shred of evidence to support these assertions.

13

14 In addition, witness Bradley-Wright mischaracterizes FPL’s proposal: “To
15 their credit, FPL was the only utility to request Commission approval for a
16 specific low-income efficiency target.” (page 26, lines 22 thru 24). FPL did
17 not propose its low income adjustment as a set of “targets” or Goals nor in any
18 way suggested that establishing such Low Income-specific Goals are
19 appropriate. To imply so is incorrect.

20

21 Using the approach proposed by FPL, the Commission already has a
22 procedurally-compliant means to address low income as it desires without
23 taking his unsupported supplemental Goals step. Witness Bradley-Wright’s

1 Low Income-specific Goals recommendation is clearly inappropriate and
2 unnecessary.

3 **Q. Based on the totality of witness Bradley-Wright’s testimony, what do you**
4 **believe to be the true purpose behind his Low Income-specific Goals**
5 **recommendation?**

6 A. It appears to be a call for the Commission to abandon application of cost-
7 effectiveness methodologies as a vehicle to create a tidal wave of low income
8 programs devoid of consideration of costs or rate impacts. Section III of his
9 testimony, which comprises fully one third of the 30 pages of his testimony
10 (page 13, line 8 thru page 22, line 21), is devoted to criticisms of Florida’s
11 cost-effectiveness methodologies. The rebuttal of his positions is fully
12 covered in the testimonies of FPL witnesses Sim and Whitley. However,
13 given the length of his diatribe on the topic, it appears his real end game is to
14 try to convince the Commission to abandon any meaningful consideration of
15 cost-effectiveness when it comes to low income customers. Ultimately, this
16 would create a “back door approach” that could allow proposing huge Goals,
17 unfettered by the reality of the associated cost of such Goals (to be borne by
18 the general body of customers including low income customers). And, in fact,
19 that is exactly what he proceeds to do in Section IV (page 22, line 23 thru
20 page 24, line 25).

1 **Q. Setting aside for the sake of argument the fact that his Low Income-**
2 **specific Goals are inappropriate, are witness Bradley-Wright's**
3 **recommended amounts reasonable?**

4 A. Absolutely not. FPL witnesses Sim and Whitley address the severely flawed
5 calculation methodology he used to derive his three Goals numbers. In
6 addition to the flawed basis, he also made basic math errors in 2 of the 3
7 numbers he created based on adding values from witness Grevatt's testimony.
8 Below I show tables which correct these errors. These corrections do not
9 imply that FPL in any way agrees with witness Bradley-Wright's numbers or
10 methodology.

11

12 Witness Bradley-Wright states: "*Table 2 below has the residential Achievable*
13 *Potential savings from Mr. Grevatt's testimony used for calculating the low-*
14 *income efficiency targets below. These figures were drawn from Exhibit JMG-*
15 *2 and FPL's were additionally adjusted to reflect the addition of SEER 14*
16 *ASHP as per Grevatt Testimony Table 4."* (page 23, lines 18 thru 21). In the
17 table below, I have corrected the math errors from his Table 2 for FPL's GWh
18 and Summer Peak (MW) using his described methodology which results in
19 even higher numbers than he showed in his testimony.

1

Witness Bradley-Wright's Table 2 – Corrected Errors

	10-Year GWh	Summer MW	Winter MW
Per Bradley-Wright Testimony	1,077	337	187
Grevatt - Exhibit JMG-2	965	377	141
Grevatt - Table 4 SEER 14 ASHP	223	0	46
Corrected Table 2 Totals	1,188	377	187
Errors	(111)	(40)	0

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These math errors also carried over to his “*Table 3 Energy Saving Potential for Utilities’ Low-Income Customers (2020-2029)*” (page 24, lines 17 thru 24). Table 3 was derived by multiplying the Table 2 values by witness Bradley-Wright’s “...percentage of population for each utility that is at or below 200% of the federal poverty level” (page 23, lines 11 and 12). He contends that for FPL this is 36.7% (Table 1, page 5, line 5), a number FPL believes is significantly overstated. These corrected higher witness Bradley-Wright numbers are used as the Low Income-specific Goals values in Exhibit TRK-5, page 1 of 2, line 1.

Witness Bradley-Wright's Table 3 – Corrected Errors

	10-Year GWh	Summer MW	Winter MW
Per Bradley-Wright Testimony	395	124	69
Table 2 - Errors Corrected	1,188	377	187
Low Income Percent	36.7%	36.7%	36.7%
Corrected Table 3 Totals	436	138	69
Errors	(41)	(14)	0

15

1 **Q. After correcting these math errors, what are the cost implications of**
2 **witness Bradley-Wright’s recommended Low Income-specific Goals?**

3 A. The magnitude of the cost implications of his Low Income-specific Goals is
4 truly staggering. This is likely why he provides no cost estimate in his
5 testimony. In Exhibit TRK-5, I estimate the cost for the 2020-2029 Goals
6 period that would be recovered from all customers through the ECCR clause
7 using: (i) witness Bradley-Wright’s corrected Table 3 GWh and MW proposal
8 (assuming his values are at the generator); and (ii) his “deeper savings”
9 recommendation to include free giveaways of major appliances (*e.g.*, HVAC,
10 water heaters and refrigerators) (page 28, lines 4 thru 12). His proposal
11 would cost approximately a whopping **\$4.1 billion** over the 2020-2029 Goals
12 period (Exhibit TRK-5, page 2 of 2, line 25), or about **\$408 million per year**
13 **in additional ECCR charges** (line 24). To put this in perspective, this annual
14 figure is about 2.5 times higher than FPL’s total 2019 ECCR charge for all
15 programs combined. The incremental cost for achieving these Low Income-
16 specific Goals alone would add about an extra \$4 per month (or \$48 per year)
17 for the average 1,000 kWh residential customer. These values are based on
18 the proper practice of achieving all three of witness Bradley-Wright’s
19 proposed Goals, not just the single GWh number he wishes the Commission
20 to focus on. In this case, the Winter MW turned out to be the most
21 challenging to achieve requiring many more participants to do so. The fact
22 that this resulted in significantly exceeding the other two Goals illustrates the
23 fundamental flaw with his improper and unbalanced “ratio-based” calculations

1 instead of using the correct method of building Goals bottom-up from
2 measure-level savings.

3

4 It is evident that the large rate and bill impacts that would result from witness
5 Bradley-Wright's aggressive and extreme proposal would add a significant
6 new energy burden to the majority of low income customers (non-
7 participating low income customers) – the very customers he claims he wants
8 to help. The calculated participation based on his “deeper savings”
9 recommendation would only provide a net cost savings to the portion of FPL's
10 low income customers who could or desire to participate leaving the rest with
11 substantial rate increases. Avoiding such a bad outcome for the majority is
12 the key driver behind FPL's Low Income program current and proposed
13 participation levels. SACE's tunnel vision focus on participating customers
14 to the detriment of all other customers remains inappropriate.

15

16 In addition, it should be noted that although Exhibit TRK-5 calculates the
17 required participation level based on witness Bradley-Wright's proposed
18 Goals, such a participation level is not realistically attainable. First, FPL
19 believes that witness Bradley-Wright has significantly overstated the
20 percentage number for low income customers in FPL's territory. FPL
21 estimates about 20% of households meet the 200% federal poverty level
22 threshold requirement, not the 37% he claims. Also, his proposed Goals are
23 supposed to represent Achievable Potential (AP). However, he ignores any

1 consideration of the significant real-world factors such as:

- 2 • Studies have found about 50% of income-eligible households are
3 unwilling to allow EE retrofits to be done and FPL's experience bears
4 out that the refusal rate is significant,ⁱ
- 5 • According to the Department of Energy (DOE), approximately 20% of
6 income-qualified households cannot have EE retrofits installed without
7 first addressing significant structural and safety issues;ⁱⁱ and
- 8 • At least 5% have already undergone EE retrofit work within the past
9 decade.ⁱⁱⁱ

10 As of year-end 2018, FPL's residential customer base is approximately 4.4
11 million. FPL estimates approximately 875,000 households would qualify as
12 Low Income (representing the total eligible population). Based on the real-
13 world factors above, it's reasonable to expect that only approximately 330,000
14 customers would truly be both eligible and willing to participate. At the rate
15 of 58,600 participants per year required to meet witness Bradley-Wright's
16 proposed Goals, this represents more than 17% per year penetration, reaching
17 100% penetration in approximately 5.5 years – a clearly unattainable outcome
18 which has never been achieved in any of FPL's voluntary DSM programs nor
19 by any other utility's program that I am aware of.

20 **Q. Are witness Bradley-Wright's criticisms of FPL's current and proposed**
21 **Low Income program warranted?**

22 A. No. As stated in my direct testimony, many of the DSM-related benefits for
23 low income customers come from outside of FPL's Low Income program

1 itself. First, FPL believes the best way to help all low income customers is by
2 keeping electric rates low – a consideration that witness Bradley-Wright’s
3 proposal willfully ignores. In regards to DSM, FPL accomplishes this by
4 focusing its efforts on cost-effective DSM programs; *i.e.*, programs that pass
5 the RIM and Participant screening tests. FPL also provides EE education on
6 actions customers can take to reduce their electric cost whether by
7 participating in FPL’s DSM programs (such as Residential On Call[®]) or
8 implementing measures, many at low or no cost, that are not offered in FPL’s
9 programs. The last option is participation in FPL’s Low Income program
10 (which includes measures that do not pass RIM and have customer payback
11 periods of less than two years).

12
13 Witness Bradley-Wright does not dispute that FPL has been executing its Low
14 Income program consistent with its 2015 DSM Plan as approved by the
15 Commission: *“In approving Florida Power & Light’s (“FPL”) 2015 DSM*
16 *Plan, they again stated that the utility’s low-income efficiency program had*
17 *met the Commission’s requirements...”* (page 9, lines 6 and 7). Additionally,
18 he acknowledges that FPL has proposed to retain and expand its Low Income
19 Plan: *“To their credit, FPL was the only utility to request Commission*
20 *approval for a specific low-income efficiency target.”* (page 26, lines 22 thru
21 24). However, he complains that this is too low. FPL disagrees. As
22 previously mentioned, the negative rate impact on all customers, and negative
23 bill impact on DSM non-participants, inherent in achieving his recommended

1 levels would result in an unreasonable financial burden on all FPL's
2 customers – particularly low income customers. FPL's proposal is reasonable
3 and consistent with the intent of the Commission's 2014 Goals docket Order
4 No. PSC-14-0696-FOF-EU and strikes the proper balance of support to low
5 income customers without the extreme rate and bill impacts inherent in
6 witness Bradley-Wright's proposal.

7 **Q. Section V of witness Bradley-Wright's testimony discusses DSM Plans**
8 **and program design. What is your reaction?**

9 A. This section is irrelevant, because it represents inappropriate testimony not
10 germane to this docket. Witness Bradley-Wright himself recognizes this and
11 makes a weak attempt to justify its inclusion via his last Q&A: "*Why should*
12 *this guidance be given during this proceeding, rather than after the utilities*
13 *file their 2020 DSM Plans?*" (page 30, lines 10 and 11). His subsequent
14 explanation that it would make the Commission's "*...priorities known to the*
15 *utilities...(that)...will lead to better outcomes for all low-income customers...*"
16 (page 30, lines 12 and 13) is unsupported. Additionally, his assertion that this
17 would lead to "*...deeper savings for the customers who need it most – all*
18 *while increasing overall savings impact for low-income customers...*" (page
19 30, lines 16 thru 18) is disingenuous. This starkly demonstrates SACE's self-
20 interested focus on GWh "savings" at the expense of those who must bear the
21 costs of its ambitions. Finally, the question itself demonstrates his lack of
22 knowledge of the process for in Florida for DSM Goal-setting and DSM
23 Plans. Under FEECA, initial program design is left to utilities, as required by

1 Commission Rule 25-17.0021(4), F.A.C.

2

3 In addition, his somewhat generic and unsupported “guidance” in this section
4 demonstrates that he does not even know what is included in FPL’s Low
5 Income program. For example, on page 29, lines 19 and 20, he claims that
6 “...many low-income customers are excluded from participation because they
7 live in a housing type that the utility does not serve, like multi-family and
8 manufactured homes in FPL’s territory.” This statement is just false and
9 renders the associated “guidance” he provides off-base and meaningless.
10 Another example is his statement that “...screening with RIM results in much
11 smaller budgets...” (page 14, lines 11 and 12). In Florida, budgets are an
12 outcome, not an input, to the Goals and DSM Plan processes. There are no
13 budgetary participation restrictions for Florida utilities’ programs. In his zeal
14 for disparaging RIM, witness Bradley-Wright has instead demonstrated his
15 unfamiliarity with Florida’s rules, perhaps confusing them with those from
16 another jurisdiction.

17

18 III. SACE WITNESS GREVATT ISSUES

19

20 **Q. On page 6, lines 18 thru 23, witness Grevatt suggests that Florida adopt**
21 **his proposed 1.5% of sales Goal, which he based on a 2-point average of**
22 **the 2018 performance of two other utilities. Is this appropriate?**

23 **A. Absolutely not. Other FPL witnesses address the problems with using his ill-**

1 conceived concept of Florida blindly setting Goals based on mimicking what
2 someone else has done rather than required utility-specific analytics. In
3 addition to its inappropriateness, I address why his methodology is
4 fundamentally incorrect and, therefore, an invalid basis for comparison.

5
6 Minimum standard benchmarking practices require, among other things, that
7 the comparison companies are valid peers with the target company and that
8 the data is broad-based enough to encompass an appropriate range of result
9 variability. Witness Grevatt's cherry-picking approach violates both of these
10 fundamental benchmarking requirements rendering any conclusions drawn
11 invalid. Please also refer to FPL witness Sim's rebuttal testimony for further
12 discussion on why it is completely inappropriate to leap to the conclusion that
13 if a particular resource option makes sense for one utility, it must
14 automatically make sense for another utility, particularly where the two
15 utilities are in different states and subject to their respective state's specific
16 statutes, rules, and regulatory precedent addressing the establishment of DSM
17 Goals.

18 **Q. Please elaborate on witness Grevatt's invalid cherry-picking**
19 **benchmarking approach.**

20 A. Here are just two examples, either of which is a sufficient violation of
21 standard benchmarking norms rendering any inferences from such
22 comparisons invalid. First, witness Grevatt has provided no supporting
23 evidence that either Duke Energy Carolinas (DEC) or Entergy Arkansas are in

1 any way comparable peers to any of the FEECA Utilities – aside from also
2 being in the electric business and “southern” (*e.g.*, within 1,000 miles of FPL).
3 Obviously, these are totally insufficient criteria to support valid
4 benchmarking, as there are numerous reasons why a company should or
5 should not be included in a peer group. In fact, the electric utilities of the
6 Bahamas, Puerto Rico and Cuba also meet his woefully deficient criteria, as
7 do all other utilities located in between FPL and his cited examples, though
8 none of these are included in his cherry-picked peer group. It is abundantly
9 clear that locational and situational differences such as in
10 legislative/regulatory rules, electric system costs, load patterns, climate,
11 customer base, geography, and the length of time DSM has been pursued,
12 among others can and do exist between witness Grevatt’s cherry-picked
13 companies and utilities in Florida which affects the appropriateness of using
14 them as comparison points to FPL and the other FEECA Utilities. None of
15 these factors were considered by witness Grevatt in his quest to justify his
16 advocacy of his percent of sales Goal.

17
18 Second, he proposes to set 10 years of projected performance based on a
19 simple 2-point average of a single year’s (2018) performance. Clearly, such a
20 simplistic data set is a totally deficient basis to set 10 years of Goals. In
21 addition, he does not indicate whether these values are representative of a
22 typical year for these companies – and apparently with good reason, because
23 they are not representative, which undermines his argument. For example, the

1 1.67% represents DEC's highest ever number. DEC's 2013-2017 results
2 ranged from approximately 0.5% to 1.1%. 2018's 1.67% is more than 50%
3 higher than DEC's next highest year. Clearly, the "outlier" value he selected
4 is not even representative of DEC's recent past performance, much less an
5 appropriate basis for setting 10 years of prospective Goals for the Florida
6 utilities. It is also a violation of standard benchmarking practices.

7 **Q. In addition to his invalid benchmarking approach, do you have any other**
8 **concerns with Witness Grevatt's reliance on the savings purportedly**
9 **achieved by DEC and Entergy Arkansas?**

10 A. Yes. Witness Grevatt's cited percentage of sales figures from DEC and
11 Entergy Arkansas are misleading because they are not calculated on the same
12 basis that he proposes applying to the FEECA Utilities. His mistake can be
13 clearly seen in his Table 5 (page 37, lines 1 thru 9) where he lists the FEECA
14 Utilities and his two comparison companies, DEC and Entergy Arkansas, with
15 the last column representing his calculation of each company's savings as a
16 percentage of sales. In the preceding statements describing his view on what
17 the reader should glean from Table 5, he obfuscates a crucial difference in the
18 calculation with a series of what he must or should have known are invalid
19 apples-to-oranges comparisons:

20

- 21 • *"...(DEC) achieved savings equal to approximately 1.67% of sales to*
22 *eligible customers in 2018. That is at least 7.5 times greater than what*
23 *any of the Florida utilities have suggested is TRC achievable and more*

- 1 *than 90 times what FPL has suggested....”* (page 36, lines 15 thru 18)
- 2 • *“Similarly, Entergy Arkansas achieved savings equal to approximately*
- 3 *1.44% of its 2018 sales to eligible customers. That is at least 6.5 times*
- 4 *what any of the Florida utilities have suggested is TRC achievable and*
- 5 *about 80 times what FPL has suggested is TRC achievable....”* (page
- 6 36, lines 19 thru 22)

7

8 However, the fatal flaw in his table and statements, which render the

9 comparisons invalid, is relegated to a subtle word “eligible” and a couple

10 endnotes buried on pages 48 and 49 of his testimony:

11

- 12 • *“⁴² DEC savings are divided by sales from non-opt out customers.”*
- 13 (emphasis added)
- 14 • *“⁴³ Entergy Arkansas savings are divided by sales from non-self-*
- 15 *direct customers.”* (emphasis added)

16

17 What these statements mean is that the “sales” denominator upon which his

18 savings as a percentage of sales calculation for DEC and Entergy Arkansas are

19 based have been significantly reduced by dropping all sales associated with

20 their opt-out customers, thereby artificially inflating the resulting percent of

21 sales value. In fact, in response to discovery, SACE admitted that the savings

22 achieved by DEC based on total retail sales was approximately 60% less than

23 the 1.67% claimed by Grevatt: *“Energy Futures Group...estimated*

1 *that...DEC's...savings as a percent of total sales (including sales to opt out*
2 *customers) was...1.05% savings as a percent of total sales... in 2018.”* A
3 copy of SACE's response to FPL Interrogatory No. 1 is provided in Exhibit
4 TRK-6.

5
6 Obviously, no such sales denominator reduction has been applied in his
7 proposal for the FEECA Utilities. Notwithstanding, witness Grevatt
8 recommends that the Commission apply this inflated percentage to the
9 FEECA Utilities' **total** retail sales: *“Specifically, the PSC could require each*
10 *Florida utility to ramp up to 1.50% incremental annual savings per year – a*
11 *level comparable to the 1.67% Duke Energy Carolinas achieved in 2018 and*
12 *the 1.44% achieved by Entergy Arkansas in 2018.”* (page 38, lines 19 thru 22)

13
14 In sum, witness Grevatt's percentage of sales proposal for the FEECA utilities
15 is based on an improper benchmarking approach, an apples-to-oranges
16 comparison, and appears to be nothing more than a thinly veiled attempt to
17 mislead the Commission and the FEECA utilities. Therefore, the Commission
18 should reject Mr. Grevatt's invalid percent of sales proposal.

19 **Q. Witness Grevatt lists a number of alleged “generic concerns” regarding**
20 **FPL's analysis methodology. Are these valid?**

21 A. No. Witness Grevatt's purpose appears to be misdirection in order to distract
22 attention from the sky-high approximate \$28 billion consequence of his
23 reckless and unsupported 1.5% of sales Goal proposal. In an attempt to

1 bolster support for his extreme proposal, Witness Grevatt argues that Florida
2 should abandon its core analytical practices that have proved so successful in
3 the past, such as gutting Florida’s cost-effectiveness testing. The most
4 significant of these alleged issues are addressed in the testimonies of
5 witnesses Sim, Whitley, Deason, and Herndon. In addition, he also includes a
6 series of essentially minor quibbles that ultimately have zero material impact
7 on the outcome of the analyses (*i.e.*, the AP). I address a number of these and
8 certain flaws in his “analytical” work below.

9 **Q. On page 25, lines 7 and 8, witness Grevatt claims “...that FPL essentially**
10 ***adopted a three-year payback screen.*” Is this correct?**

11 A. No. In further discussion on his incorrect assertion that FPL employed a
12 three-year payback screen, Witness Grevatt states: “*The result was*
13 *eliminating about half of the TRC cost-effective measures that passed the two-*
14 *year payback screen when estimating TRC achievable potential. I do not*
15 *know if the other utilities did the same thing.*” (page 25, lines 11 thru 14).
16 Setting aside his inappropriate focus on the Total Resource Cost (TRC) test,
17 his complaint appears to be related not to whether FPL’s method was
18 appropriate, but instead that it yielded an outcome contrary to his desires. He
19 is mischaracterizing FPL’s methodology by improperly combining two
20 unrelated concepts. The two-year payback screening criterion is used during
21 the EP step for the purpose of capturing free ridership. FPL witness Deason
22 fully addresses this criterion’s use and appropriateness.

1 During the AP step, payback must again be considered. However, in the AP
2 step it is used for an entirely different purpose – determining the recruitment
3 potential of voluntary participants. The level of potential participation in a
4 given measure is directly related to how much payback improvement a
5 participant will realize from receiving the utility’s maximum cost-effective
6 incentive. By way of example, if a measure’s payback without an incentive is
7 2 years and 1 month and the maximum incentive can only incrementally
8 improve a potential participant’s payback by 1 month, a customer’s decision
9 will not be influenced by such a meager utility incentive. Therefore, the real-
10 world effect of the utility’s action, which is what the AP represents, would be
11 zero.

12
13 Conversely, if an EP-passing measure has a payback of 8 years and the
14 maximum incentive will improve that payback to 2.5 years, then the utility
15 incentive would have a material effect on participation and AP. The separate
16 use of payback for the purpose of determining utility-driven AP is appropriate
17 and is something that all utilities must consider to determine the AP. Simply
18 put, witness Grevatt’s testimony both misstates the specific payback period
19 screen used by FPL in its analyses and reflects a lack of understanding of the
20 proper dual uses of payback in the EP and AP analyses.

1 **Q. On pages 28-31 witness Grevatt quibbles with FPL's calculation of the**
2 **Economic Potential MW and GWh values related to competing measures.**
3 **Does his complaint have any impact on FPL's proposed Goals?**

4 A. No. His multi-page discussion is an example of an ultimately meaningless
5 minor technicality that has zero impact of FPL's AP or Goals. Witness
6 Grevatt is attempting to make a mountain out of mole hill. He is correct that
7 in the Technical Potential (TP) where there are two competing measures, such
8 as the pool pump measures he cites, the most efficient of these received 100%
9 of the available TP MW and GWh and the lesser measure(s) appropriately
10 received zero TP MW and GWh. Turning to the EP, FPL reported the count
11 of these surviving measures along with the associated TP MW and GWh
12 values in FPL witness Whitley's Exhibit AWW-4. FPL did not redistribute to
13 a surviving measure the TP MW and GWh from a failing competing measure
14 because this was ultimately unnecessary. Therefore, in the EP, FPL reported
15 the same MW and GWh values for each EP-surviving measure as calculated
16 in the TP step.

17
18 Witness Grevatt's assertion that this has any material impact is incorrect. This
19 is because he leaves out the critical point which is that the only truly
20 meaningful part of the EP results is the list of measures that survive the
21 screening. This is because only those measures then move on to the AP step
22 in the analysis. This list of less-efficient measures and their associated
23 savings are captured in the AP step. The associated MW and GWh for the

1 more efficient EP-failing measures, while possibly of academic interest, have
2 no further use in the subsequent AP step and therefore, were discarded and
3 had no influence on FPL's proposed Goals. As a result, his attempted
4 portrayal of this minor calculation as a significant issue and his assertion that
5 measures were inappropriately excluded is misguided and ultimately
6 pointless.

7 **Q. On page 32, line 9 through page 33, line 17, witness Grevatt also quibbles**
8 **with FPL's non-incentive costs for two measures. Please provide your**
9 **reaction.**

10 A. Witness Grevatt is again attempting to conjure up an issue where none exists.
11 He should be fully aware that neither of the two measures he cites, LED light
12 bulbs and Low Flow Shower Heads, could survive the EP cost-effectiveness
13 screening regardless of the amount of their associated non-incentive costs
14 because their payback is less than two years (*e.g.*, even if the non-incentive
15 cost was \$0.01, these measures would still fail EP). Therefore, his point is
16 moot because neither measure made it to the AP step due to failing the last EP
17 screening step that incorporates the two-year payback.

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

19 A. Yes.

ⁱ See "Needs Assessment for the Energy Savings Assistance and California Alternate Rates for Energy Programs" available at: <http://liob.cpuc.ca.gov/Docs/2016%20LINA%20Final%20Report%20-%20Volume%201%20of%202.pdf> (last visited 7/11/2019)

ⁱⁱ DOE Office of Weatherization and Intergovernmental Partnerships, personal communication, December 2016.

ⁱⁱⁱ See “Gauging the Impact of Various Definitions of Low- and Moderate-Income Communities on Possible Electricity Savings From Weatherization, Ian M. Hoffman, Lawrence Berkeley National Laboratory,” February 2017, *available at*: <https://emp.lbl.gov/sites/all/files/lbnl-1007114.pdf> (last visited 7/11/19).

1 BY MR. COX:

2 Q Mr. Koch, did you also have exhibits TRK-5
3 through TRK-6, two exhibits attached to your testimony?

4 A Yes.

5 Q Do you have any corrections or changes to
6 those two exhibits?

7 A No, I don't.

8 MR. COX: Chairman Graham, just to note for
9 the record, these exhibits have been identified as
10 Exhibits 93 and 94 on the staff comprehensive
11 exhibit list.

12 CHAIRMAN GRAHAM: Duly noted.

13 BY MR. COX:

14 Q Mr. Koch, have you prepared a summary of your
15 prefiled rebuttal testimony?

16 A Yes, I have.

17 Q Could you present your summary to the
18 Commission at this time?

19 A Certainly.

20 Good afternoon, Chairman Graham and
21 Commissioners. This docket is about goal setting.
22 FPL's proposed goals are compliant with the Commission
23 rules and supported by a rigorous and comprehensive
24 analysis. SACE has done the exact opposite, by
25 reverting to their standard percent of sales

1 appropriate, which is noncompliant, incomplete and
2 devoid of any credible analytical support. They also,
3 again, attempt to gut and circumvent and/or eliminate
4 the required analysis steps in order to reverse engineer
5 their preconceived outcome.

6 This docket is also about who pays for DSM and
7 how much. FPL's position supported by the Commission
8 for decades is clear, impact on customer rates and
9 avoiding and minimizing cross-subsidization is critical,
10 hence, FPL's unwavering support for RIM and participant
11 tests in the two-year payback to accomplish these
12 objectives for the benefits of all customers, including
13 low income customers.

14 In contrast, SACE pitches unsupported
15 proposals costing tens of billions of dollars with
16 inherent cost subsidization due to lack of
17 cost-effectiveness, and SACE shows total disregard to
18 for the financial harm to FPL's customers.
19 Cost-effectiveness is a key requirement of FEECA, and
20 its execution via the Commission's proven methods
21 ensures the best outcome for customers.

22 Turning specifically to witness
23 Bradley-Wright, he advocates an extreme unsupported and
24 procedurally improper low income specific goal scheme.
25 Notably, he omits any mention of its whopping four plus

1 billion dollar cost. To bolster his proposal, he drops
2 any pretense of cost-effectiveness testing or
3 consideration of free-ridership.

4 By inappropriately increasing rates, his
5 proposal would harm all customers, particularly the low
6 income customers he claims he wants to help and,
7 instead, provide a giant windfall for landlords.

8 FPL is empathetic to the low income customers'
9 financial challenges and has, therefore, proposed
10 retention and expansion of low its income program, which
11 will be addressed next year's DSM plan proceeding.

12 Regarding Witness Grevatt, his analysis
13 suffers from numerous material flaws. To justify his
14 1.5 percent of sales goal, he relies on invalid cherry
15 picked data and overinflated the result by as much as
16 60 percent.

17 Also in an apparent attempt to distract from
18 its \$28 billion rate impact, he makes a handful of
19 criticisms of FPL's analyses. However, these are
20 ultimately just meaningless quibbles because they are
21 incorrect and have zero impact on FPL's achievable
22 potential and goals.

23 Commissioners, FPL's goals proposal was
24 subjected to exhaustive discovery, remains unchallenged
25 as the only viable proposal before the Commission, which

1 speaks directly to its rigor and quality, and FPL
2 respectfully requests the Commission approve FPL's data
3 driven goals proposal and once again reject SACE's
4 noncompliant approach.

5 Thank you.

6 **Q Thank you, Mr. Koch.**

7 MR. COX: Chairman, the witness is tendered
8 for cross-examination.

9 CHAIRMAN GRAHAM: Okay. Mr. Koch, welcome
10 back.

11 THE WITNESS: Thank you.

12 CHAIRMAN GRAHAM: OPC?

13 MS. FALL-FRY: I have a clarifying question.
14 If -- we are waiting on this exhibit, so any
15 questions I have related to it, I need to wait?

16 CHAIRMAN GRAHAM: The low income exhibit that
17 went out?

18 MS. FALL-FRY: Yes.

19 CHAIRMAN GRAHAM: Yes. We are -- I need to
20 decide what I want to do with it first.

21 MS. FALL-FRY: Okay. Well, then no questions
22 at this time.

23 CHAIRMAN GRAHAM: Okay.

24 MS. WYNN: We have no questions for FPL's
25 witnesses.

1 MS. CORBARI: I just have one question.

2 EXAMINATION

3 BY MS. CORBARI:

4 Q Good afternoon, Mr. Koch.

5 A Good afternoon.

6 Q Can I direct you to page 13 of your rebuttal
7 testimony? It's more of a, I guess, a clarifying
8 question.

9 A Yes, I am there.

10 Q So beginning, I guess at line 15, FPL is
11 looking -- although, some of the low income programs are
12 not cost-effective, FPL is going to continue some of
13 these programs; is that correct?

14 A Yes. It's actually the measures within the
15 program, and what we are recommending is to continue the
16 program.

17 Q And on line 21 to 22, begins, I guess the
18 vulnerable group is appropriate and warranted to replace
19 eliminated EE program options that will no longer be
20 available.

21 Will FPL be -- approximately how many
22 measures, if you know, may be eliminated?

23 A There is certain programs, the EE programs
24 that we have, which is about five out of the 12 programs
25 that FPL currently offers, those would be the programs

1 that would be eliminated.

2 And I should clarify though, based on your
3 question, that it isn't that we are saying it's, you
4 know, kWh for kWh and megawatt for megawatt. This is
5 more a matter of what programs are available to
6 customers, is what this part of my testimony is
7 referring to.

8 **Q And is FPL replacing any of the measures**
9 **eliminated?**

10 A The new goals are based upon the measures that
11 are cost-effective. So there isn't a matter of
12 replacement or -- it's not a swapping type of thing. I
13 can see how this language is a little confusing, but
14 that's not what I intended when I wrote it.

15 **Q Thank you, that clarified it.**

16 A Okay.

17 CHAIRMAN GRAHAM: SACE?

18 EXAMINATION

19 BY MR. MARSHALL:

20 **Q Yes. Mr. Koch, if I could direct your**
21 **attention to page 17 of your rebuttal testimony.**

22 A I am there.

23 **Q And on this page, you provide Witness**
24 **Bradley-Wright's Table 2 with the corrected errors?**

25 A That's correct.

1 Q And so the -- that first line, per
2 Bradley-Wright testimony, that's supposed to be the what
3 he says is the achievable potential for low income?

4 A Yes, I believe that's what he represented it
5 as that.

6 Q And so Grevatt, Exhibit JMG-2, also was
7 represented as an achievable potential goal?

8 A That's correct.

9 Q And isn't it true that Grevatt Table 4 with
10 the SEER 14 air source heat pump, that that was
11 represented as an economic potential?

12 A That could be correct. This was taken from
13 Mr. Bradley-Wright's testimony where he added these
14 numbers together to come up with the value he put and
15 said was achievable potential.

16 Q Isn't it true that Mr. Grevatt took -- to
17 calculate his TRC corrected achievable potential, took
18 50 percent of what he calculated to be the economic
19 potential?

20 A Yes. That's my understanding of what one of
21 the adjustments that he made.

22 Q And if you took 50 percent of that 223 on --
23 that's -- that's -- from Grevatt Table 4, the SEER 14
24 air source heat pump, and added that number to 965,
25 wouldn't you get 1,077?

1 A Mathematically that's correct. However, the
2 summer megawatt wouldn't work out because that's a
3 different number also.

4 So I would have to say that it was, frankly,
5 quite confusing between Bradley-Wright's testimony and
6 Grevatt's testimony, because Grevatt eventually
7 abandoned all these calculations, as I think
8 Commissioner Polmann pointed out correctly, to go for
9 the one-and-a-half percent of sales, yet
10 Mr. Bradley-Wright went back and used this data.

11 So I have to say it was a bit scrambled and,
12 you know, it was the best interpretation I could make
13 based upon what I saw.

14 **Q Fair enough. But based on what -- just, you**
15 **know, doing the math right here, that looks about right**
16 **for that gigawatt hour number?**

17 A For the gigawatt hour number, I would agree
18 with you, but it doesn't align with the megawatt --
19 summer megawatts, so I am not certain what to make of
20 that.

21 **Q If I could direct your attention to your**
22 **Exhibit TRK-5.**

23 A I am there.

24 **Q And on Exhibit TRK-5, on lines three, four and**
25 **five, you have deeper savings measures?**

1 A Correct. These were the deeper savings
2 measures that were mentioned in Mr. Bradley-Wright's
3 testimony.

4 **Q And these measures don't relate to heating, do**
5 **they, like heating a building?**

6 A No -- well, yes and no. I mean, the HVAC
7 measure does include heating as well, but recognize that
8 in FPL's territory, the number of heating degree days is
9 minimal. So it's -- that's the reason why, instead of
10 putting the air source heat pump, which he mentioned,
11 which would just jack up the cost another thousand
12 bucks, I mean, we could throw that on. But the bottom
13 line is it wouldn't create any more energy and demand
14 savings.

15 **Q And, like, for -- you know, you mentioned the**
16 **HVAC 14 SEER, that wouldn't contribute to any of the**
17 **winter kilowatts capacity?**

18 A You are correct. Yes.

19 **Q And FPL's low income customers pay a bill**
20 **based on their kilowatt hour usage?**

21 A Yes, that's correct.

22 **Q And line seven shows the current Florida Power**
23 **& Light low income program with savings of 650-kilowatt**
24 **hours per participant at the meter?**

25 A Yes, that's right.

1 Q And that would be approximately 683 kilowatt
2 hours per participant at the generator?

3 A Subject to check, it's about -- it should be
4 about six percent.

5 Q And so if you just used current -- FPL's
6 current low income program to get to the annual goal of
7 43.6 gigawatt hours, that would take about 64,000
8 participants?

9 A I am not certain. I would have to do the math
10 on that. I will take your word for it for sake of
11 argument.

12 Q And under the current program, it costs \$115
13 per participant? This would be from line 18.

14 A Yes, that's accurate.

15 Q And so if it was about 64,000 participants
16 multiplied by \$115 per participant, that would be a
17 little over \$7 million a year of total cost? This would
18 be the equivalent to line 21.

19 A Yes, that sounds about right. That's correct.

20 Q And if you add in the program operations
21 costs, that would get you to about eight-and-a-half
22 million dollars?

23 A Yes, that would be correct. But I would say
24 this, you can't just selectively choose to only meet a
25 gigawatt hour target. You have to meet the gigawatt

1 hour and the megawatt numbers. And the way that the
2 proposal was done by Mr. Bradley-Wright, we would have
3 to substantially overachieve the gigawatt hours in order
4 to meet the megawatt numbers.

5 **Q And roughly speaking, reducing a low income**
6 **customer's annual usage by 650 kilowatt hours a year**
7 **would save them about \$65 per year?**

8 A Yeah, for sake of argument, I would say that's
9 about right.

10 And I think that also points to another thing
11 about this deeper savings proposal, which is that you
12 can see that these extra costs, which obviously, you
13 know, totaled up to about 400 plus million dollars a
14 year the way it's described, this is -- all that money
15 is going to basically putting in appliances. It's going
16 to raise customers' rates, including these participating
17 customers. It would raise their rates about 50 bucks a
18 year, and they are only going to save about \$57 a year
19 from those measures.

20 So in essence, it's a wash to them putting in
21 all these appliances, it's just a total waste of money,
22 and, whereas, if they stuck with the other program, as
23 you pointed out, it would be, you know, a number of
24 million dollars, but it wouldn't be anything that's \$400
25 million a year. So the proposal in itself makes no

1 sense.

2 In addition, these appliances for renters,
3 those appliances are just going to landlords. They are
4 not going to low income owners. So it's a -- it would
5 be a nice -- a nice little Christmas present for
6 landlords.

7 **Q And the specific deeper savings measures that**
8 **were included on Exhibit TRK-5, you chose those specific**
9 **ones?**

10 A I did not. The only one that was different
11 was the -- we didn't use the air source heat pump in
12 order to try not be as, you know, too punitive for the
13 recommendation because, like I say, there is very little
14 heating -- it's not very useful in FPL's territory, and
15 that costs an extra grand for that device. So we,
16 instead, use the a 14 SEER AC straight cool.

17 **Q That you.**

18 MR. MARSHALL: I have no further questions.

19 CHAIRMAN GRAHAM: Thank you.

20 Staff?

21 MS. DUVAL: No questions.

22 CHAIRMAN GRAHAM: Commissioners?

23 Commissioner Polmann.

24 COMMISSIONER POLMANN: Thank you, Mr.

25 Chairman.

1 Welcome back, Mr. Koch.

2 THE WITNESS: Thank you.

3 COMMISSIONER POLMANN: You were here during
4 direct testimony of FPL's witnesses yesterday, is
5 that correct?

6 THE WITNESS: Yes, I was.

7 COMMISSIONER POLMANN: I am sorry, I don't
8 recall who was sitting in that seat. It was after
9 you. I would like to follow up on a line of
10 questioning that started by counsel for SACE. It
11 was suggested by FPL counsel, Mr. Cox, that perhaps
12 you could help me.

13 THE WITNESS: Okay.

14 COMMISSIONER POLMANN: I don't know if you
15 remember him saying that, but it was during a line
16 of questioning that was started by counsel for
17 SACE. There was -- the subject matter had to do
18 with DSM and the need for a new power plant. And
19 hopefully we can get back to that subject matter.

20 But as a general concept, from your
21 understanding, and in the case of FPL, my question,
22 again, as a general concept, can achievement of DSM
23 goals over, say, a 10-year program, serve to delay
24 the need for FPL to develop new generation
25 capacity?

1 THE WITNESS: Certainly it can -- it can delay
2 or avoid the need for generation capacity.

3 COMMISSIONER POLMANN: Thank you.

4 So then the question is, to the best of your
5 knowledge, has FPL actually experienced DSM program
6 achievements historically that have deferred new
7 power plant construction?

8 THE WITNESS: Yes. Cumulatively, FPL has
9 deferred the need for 15 generating units. And, in
10 fact, this proposal would defer the need for one
11 more.

12 COMMISSIONER POLMANN: So to the best of your
13 knowledge, then, are FPL's DSM goals and programs
14 accounted for -- is it always true that they are
15 accounted for in sizing and scheduling new
16 generation, is that your normal practice?

17 THE WITNESS: Yes, absolutely. In resource
18 planning, it's considered one of the -- though I am
19 not a resource planner, the resource planning, it's
20 considered one of the sources to meet the needs
21 once the needs timing and size are determined, DSM
22 is one of the options.

23 COMMISSIONER POLMANN: So that's always
24 accounted for when you are looking into the future
25 to build and schedule new plant, the DSM goal and

1 the program, the accomplishment of that demand
2 reduction that necessarily is part of your
3 forecast?

4 THE WITNESS: Absolutely.

5 COMMISSIONER POLMANN: Thank you, sir.
6 That's all I have, Mr. Chairman.

7 CHAIRMAN GRAHAM: Redirect?

8 MR. COX: Before I go to redirect, just
9 briefly, I think Commissioner Polmann, you had
10 asked a question of Mr. Whitley about how we come
11 up with achievable potential. And so if you did
12 want to ask the appropriate witness for us, it
13 would be Mr. Koch. I just wanted to remind you on
14 that one if it is still a question for you.

15 COMMISSIONER POLMANN: No longer a question.
16 Thank you.

17 MR. COX: Okay. Thank you.

18 And then, Commissioner Brown, we did do a
19 little homework on your question that you asked us,
20 I think several times, about the participation
21 level and how it's changed over the years since the
22 last goals were set. And that information is
23 already in the record, but we did put together a
24 short exhibit that kind of distills it even more
25 than what's in our annual report, which is in the

1 record in this proceeding. Mr. Koch is able to
2 discuss that as well if you are interested.

3 COMMISSIONER BROWN: Thank you. Staff
4 apprised me of that earlier this morning.

5 MR. COX: Okay. Thank you.

6 I just have one redirect question. Thank you.

7 FURTHER EXAMINATION

8 BY MR. COX:

9 Q There was one thing I just wanted to make sure
10 that was clear for the record, Mr. Koch, as you were
11 discussing with counsel for SACE and LULAC, Exhibit
12 TRK-5.

13 And in that exhibit, as you were discussing
14 with him, he mentioned that the FPL proposal, as I wrote
15 it down, would require 64,000 participants. And you
16 said something like subject to check, that could be
17 right, or that sounds right.

18 I didn't see 64,000 anywhere on that chart, so
19 I just wanted to make sure that the number he was giving
20 you was, in fact, accurate.

21 A Well, I am not certain. I didn't crunch the
22 number --

23 Q Okay.

24 A -- so --

25 Q It's not a number that's on this page?

1 A It's not a number that's on this page.

2 Q **Okay. I just wanted to make sure that was**
3 **clear. Thank you.**

4 A Oh, okay.

5 CHAIRMAN GRAHAM: Exhibits?

6 MR. COX: Thank you.

7 Chairman Graham, FPL would move admission of
8 Exhibits 93 and 94.

9 CHAIRMAN GRAHAM: If there is no objection to
10 94 and 94, we will enter those two into the record.

11 (Whereupon, Exhibit Nos. 93-94 were received
12 in evidence.)

13 CHAIRMAN GRAHAM: SACE, you didn't have any
14 exhibits this time, did you?

15 MR. MARSHALL: Correct.

16 CHAIRMAN GRAHAM: Okay.

17 MR. COX: May the witness be excused, except
18 for the potentially coming back to the --

19 CHAIRMAN GRAHAM: Don't go home yet.

20 THE WITNESS: I look forward to seeing you
21 again.

22 MR. COX: Thank you.

23 CHAIRMAN GRAHAM: Your next witness.

24 MR. COX: FPL calls its next rebuttal witness,
25 Mr. Andrew Whitley.

1 Whereupon,

2 ANDREW W. WHITLEY

3 was recalled as a witness, having been previously duly
4 sworn to speak the truth, the whole truth, and nothing
5 but the truth, was examined and testified as follows:

6 COMMISSIONER BROWN: Mr. Guyton, you can
7 proceed when you are ready.

8 MR. GUYTON: Thank you, Commissioner.

9 EXAMINATION

10 BY MR. GUYTON:

11 Q Would you please state your name for the
12 record?

13 A Yes, it's Andrew Whitley.

14 Q Mr. Whitley, did you cause to be filed in this
15 docket rebuttal testimony on July 12, 2019?

16 A Yes, I did.

17 Q And has your rebuttal testimony been corrected
18 by an errata sheet?

19 A Yes, it has.

20 Q And if I were to ask you the questions that
21 appear in your rebuttal testimony today, would your
22 answers be as corrected?

23 A Yes, they would.

24 MR. GUYTON: We ask that Mr. Whitley's
25 rebuttal testimony be inserted into the record as

1 though read.

2 COMMISSIONER BROWN: We will go ahead and
3 enter into the record as though read the rebuttal
4 testimony along with the errata sheet.

5 (Whereupon, prefilled testimony was inserted.)

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ERRATA SHEET

DIRECT TESTIMONY

WITNESS: ANDREW W. WHITLEY

<u>PAGE #</u>	<u>LINE #</u>	<u>CHANGE</u>
Exhibit AWW-4	Sensitivity Case 2	In columns "Number of DSM Measures" and "Surviving TRC Path Screening," change "700" to "794"

WITNESS: STEVEN R. SIM

<u>PAGE #</u>	<u>LINE #</u>	<u>CHANGE</u>
Exhibit SRS-4	Last line of title	Change "w/o AFUDC" to "w/ AFUDC"

REBUTTAL TESTIMONY

WITNESS: THOMAS R. KOCH

<u>PAGE #</u>	<u>LINE #</u>	<u>CHANGE</u>
6	4	Before "FPL's" insert "3."
22	22	Delete "for" in front of "in"

WITNESS: ANDREW W. WHITLEY

<u>PAGE #</u>	<u>LINE #</u>	<u>CHANGE</u>
4	15	Delete "non-cost-effective"

I. INTRODUCTION

1

2

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

4 A. My name is Andrew W. Whitley, and my business address is 700 Universe
5 Blvd., Juno Beach, Florida 33408.

6 **Q. Have you previously submitted testimony in this proceeding?**

7 A. Yes.

8 **Q. Are you sponsoring any rebuttal exhibits in this case?**

9 A. Yes. I am sponsoring the following four exhibits that are attached to my
10 rebuttal testimony:

- 11 ▪ Exhibit AWW-15: SACE 1.5% Plan Analysis: Levelized
12 System Average Electric Rate Calculation
- 13 ▪ Exhibit AWW-16: SACE 1.5% Plan Analysis: Comparison of
14 Levelized System Average Electric Rates
- 15 ▪ Exhibit AWW-17: SACE 1.5% Plan Analysis: Additional Cost
16 Needed to be Added to RIM Plan to Increase its Levelized
17 System Average Electric Rate to That of the 1.5% Plan
- 18 ▪ Exhibit AWW-18: SACE 1.5% Plan Analysis: Comparison of
19 the Resource Plans: Projection of System Average Electric
20 Rates and Monthly Customer Bills (Assuming 1,200 kWh
21 Usage)

22 **Q. What is the purpose of your rebuttal testimony?**

23 A. My rebuttal testimony addresses several issues brought forth by the two
24 Southern Alliance for Clean Energy (SACE) witnesses in this case: Mr.

1 Grevatt and Mr. Bradley-Wright. If I do not address other specific issues in
2 SACE testimony, it should not be assumed that I agree with either Mr. Grevatt
3 or Mr. Bradley-Wright. There are other Florida Power & Light Company
4 (“FPL”) witnesses that address additional deficiencies in the testimony filed
5 by the SACE witnesses.

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

7 A. My rebuttal testimony primarily addresses the following topics in Mr.
8 Grevatt’s testimony:

- 9 • The lack of any resource planning analysis in the development of
10 his proposed Goals;
- 11 • The disregard for decades of reliance upon the cost-effectiveness
12 tests used in Florida for Demand-Side Management (DSM)
13 analysis;
- 14 • The logical fallacies the SACE witnesses attempted to use to
15 diminish the electric rate impact of non-cost-effective DSM;
- 16 • The extreme rate and bill impacts resulting from Mr. Grevatt’s
17 1.5% of retail sales (sales) proposal; and
- 18 • Several other à la carte points made by Mr. Grevatt that lack any
19 kind of backup analysis or meaningful support.

20 Finally, I address a few points made by Mr. Bradley-Wright regarding
21 application of cost-effectiveness tests to his “deeper savings” plan for low-
22 income customers.

1 **II. LACK OF RESOURCE PLANNING KNOWLEDGE AND ITS**
2 **EFFECTS ON SACE’S TESTIMONY**

3
4 **Q. Does Mr. Grevatt’s testimony discuss FPL’s resource planning process at**
5 **all?**

6 A. No.

7 **Q. Does Mr. Grevatt’s experience as set forth in his testimony and exhibits**
8 **include any experience related to resource planning?**

9 A. No. From a review of Mr. Grevatt’s testimony and exhibits, it appears Mr.
10 Grevatt’s career seems exclusively focused on the evaluation and promotion
11 of utility energy efficiency programs.

12 **Q. Is Mr. Grevatt’s lack of experience in resource planning apparent in his**
13 **testimony?**

14 A. Yes. There are several points in Mr. Grevatt’s testimony that indicate his lack
15 of resource planning experience. These include:

- 16 • His belief that supply-side options inherently cause cross-
- 17 subsidization;
- 18 • His mistaken belief that supply-side resources are only added to
- 19 address growing demand;
- 20 • His complete disregard for FPL’s system reliability criteria; and
- 21 • His “analysis” that leads to proposed DSM Goals that consist only
- 22 of energy targets and does not address the most important factor in
- 23 FPL’s system reliability analyses: Summer peak MW demand.

1 **Q. Why does Mr. Grevatt believe that supply-side options cause cross-**
2 **subsidization?**

3 A. According to Mr. Grevatt, supply-side options are only added to address
4 growing demand:

5 *“Consider supply-side investments that are made solely to address*
6 *growing demand – either at the system-level (e.g. a new power plant)*
7 *or at the local level (e.g. a substation capacity upgrade). By definition,*
8 *the need for those supply-side investments is driven solely by new*
9 *customers who are adding load to the system and/or existing*
10 *customers whose demands are growing.” (Page 11, lines 17-21)*

11 Based on this (faulty) assumption, Mr. Grevatt comes to the conclusion that
12 customers whose demand is not growing are subsidizing new customers or
13 customers with growing demand:

14 *“...the costs of the new power plant and/or the substation capacity*
15 *upgrade in this scenario will not be borne solely by the customers*
16 *whose new demand or growing demand created the need for the*
17 *supply-side investments. Instead, to the extent that these costs are*
18 *recovered through rates, they will be borne by all customers, including*
19 *those existing customers whose demand did not grow.” (Page 12, lines*
20 *4-8)*

21 **Q. Are supply-side options built exclusively to address growing demand?**

22 A. No. Mr. Grevatt displays a keen ignorance of how the determination of
23 resource needs is conducted in a resource planning environment. As stated in

1 my direct testimony, generation resources, such as the power plant example
2 Mr. Grevatt provides, are added to meet FPL's projected resource needs based
3 on FPL's reliability criteria. The timing and magnitude of these resource
4 needs are not determined solely on increasing system demand; many other
5 factors such as increase or decreases in existing generating capacity,
6 retirement of existing resources, expiration of existing purchased power
7 agreements, increases or decreases in the amount of firm capacity from DSM
8 programs, and economic considerations all factor into the need to add new
9 generation resources to a utility system.

10 **Q. When a new generating resource is added to an electric utility system, do**
11 **all customers benefit from it?**

12 A. Yes. Continuing with the power plant example laid forth by Mr. Grevatt, once
13 a new power plant comes in service, all of the electric utilities' customers
14 benefit from the continued or increased system reliability that the power plant
15 provides. In addition, all of the electric utilities' customers can benefit from
16 the effects associated with the increase in system generating efficiency that
17 the new generation resource may provide, such as decreased system fuel usage
18 and decreased system emissions. In practice, FPL has added, for the reasons
19 mentioned above, combined cycle and solar units to meet its system reliability
20 needs in recent years. These units have lowered FPL's system heat rate,
21 and/or have decreased fossil fuel use, and all of FPL's customers benefitted
22 from the resulting system fuel savings.

1 **Q. When FPL determines that additional resources are needed to satisfy its**
2 **reliability criteria, how are those resources evaluated?**

3 A. Pages 9 and 10 of my direct testimony cover the process behind the economic
4 evaluation of resource options. To succinctly summarize this testimony, FPL
5 evaluates all resource options on the basis of electric rate impacts for all
6 customers. A discussion of this methodology is also available in numerous
7 FPL Ten Year Site Plans. An excerpt from FPL’s 2019 Ten Year Site Plan on
8 page 60 is included below:

9 *“The basic economic analyses of the competing resource plans focus*
10 *on total system economics. The standard basis for comparing the*
11 *economics of competing resource plans is their relative impact on*
12 *FPL’s electricity rate levels, with the general objective of minimizing*
13 *FPL’s projected levelized system average electric rate (i.e., a Rate*
14 *Impact Measure or RIM methodology)”*

15 **Q. Does Mr. Grevatt’s perception of how supply-side options are**
16 **economically evaluated conflict with FPL’s actual methodology used to**
17 **evaluate resource options?**

18 A. Yes. Mr. Grevatt seems to believe that supply-side resource options are not
19 evaluated on a rate impact basis. Mr. Grevatt’s statement on pages 10 and 11
20 of his testimony responds to a question of applying the RIM test to supply
21 options as follows:

22 *“Many proposed supply side investments would fail. Put simply,*
23 *because the RIM test is a test of whether rates may go up, any supply-*

1 *side investment that would raise rates, all other things being equal,*
2 *would fail the RIM test.” (Page 10, lines 24-25; Page 11, line 1)*

3 This conflicts with the methodology for economic evaluation that is provided
4 in both my direct testimony and FPL’s Ten Year Site Plans, which indicates
5 that FPL evaluates its resource options based on which option offers the best
6 rate impact to its customers.

7 **Q. Is Mr. Grevatt’s characterization of the RIM test as “a test of whether**
8 **rates go up” accurate?**

9 A. No. The RIM test is used as a comparison between a DSM measure and an
10 equivalent portion of a supply-side option. It is a test of whether that measure
11 results in a lower or higher electric rate *compared* to that supply-side option.
12 Evaluation of supply-side options is done on a similar basis, as competing
13 resource options and resource plans are economically evaluated based on
14 which option results in the lowest rate for FPL’s customers, while meeting all
15 of FPL’s reliability criteria. Mr. Grevatt’s perception of how resource options
16 are evaluated is completely devoid of any understanding of resource planning
17 principles including how supply options are evaluated.

18 **Q. If Mr. Grevatt did not utilize any resource planning principles in his**
19 **analysis, how did Mr. Grevatt determine his proposed DSM Goals?**

20 A. He seemingly used two alternative approaches, but he ultimately settled on a
21 percentage of sales approach. This percentage of sales approach has nothing to
22 do with FPL’s planning process.

1 In his first approach, which he ultimately abandoned, Mr. Grevatt disregarded
2 FPL's and the FPSC's principle of seeking the option with the better rate
3 impact and urged dropping the RIM test and instead using the TRC cost-
4 effectiveness test. Then, starting with FPL's results based on the TRC path of
5 the economic screening, Mr. Grevatt performed two "corrections" for alleged
6 errors in FPL's Economic Potential analysis. His first "correction" was to
7 reject the two-year payback screen used to address free ridership. In his
8 second "correction," he rejected FPL's analyses of Achievable Potential and
9 substituted an arbitrary assumption that the Achievable Potential would be
10 fifty percent of the Economic Potential. The resulting GWh, summer peak
11 demand, and winter peak demand saving for what he characterized as
12 "Partially Corrected Achievable Potential" are shown on Tables 7, 8, and 9 on
13 page 42 of his testimony. However, after all these machinations, he
14 abandoned this approach and used another approach that he explained earlier
15 in his testimony:

16 *"Another approach would be to base energy efficiency targets on what*
17 *the leading utilities in the South are already achieving. Specifically,*
18 *the PSC could require each Florida utility to ramp up to 1.50%*
19 *incremental annual savings per year – a level comparable to the*
20 *1.67% Duke Energy Carolinas achieved in 2018 and the 1.44%*
21 *achieved by Entergy Arkansas in 2018."*(Page 38, lines 18-22)

1 Mr. Grevatt's second approach, this percentage of sales approach, was much
2 simpler than his first approach. However, Mr. Grevatt readily acknowledged
3 that with this second approach he could not "*recommend specific peak*
4 *demand savings targets....*" (Page 43, line 20).

5
6 In the end, Mr. Grevatt's proposed Goals are not based on an in-depth
7 analysis, but rather are based on the 2018 energy efficiency performance of
8 two unrelated so-called (by him) "leading" utilities – Duke Energy Carolinas
9 and Entergy Arkansas.

10 **Q. Does FPL serve customers in North or South Carolina?**

11 A. No.

12 **Q. Does FPL serve customers in Arkansas?**

13 A. No.

14 **Q. Are Mr. Grevatt's proposed Goals based in any part on FPL's most**
15 **recent planning process or any resource planning principles?**

16 A. No.

17 **Q. Are FPL's proposed Goals required to be based upon its most recent**
18 **planning process?**

19 A. Yes. Rule 25-17.0021 F.A.C., subsection (3) states in part that: "*In a*
20 *proceeding to establish or modify goals, each utility shall propose numerical*
21 *goals for the ten-year period..., based upon the utility's most recent planning*
22 *process...*" (emphasis added). Accordingly, FPL based its proposed goals
23 upon its most recent planning process to comply with the Commission's DSM

1 Goals rule. Mr. Grevatt’s focus on activities in other states apparently led him
2 to overlook, or simply choose to ignore, this requirement in Florida.

3 **Q. Does Mr. Grevatt propose Summer and Winter MW values for his**
4 **proposed Goals?**

5 A. No. Mr. Grevatt claims that he does not have specific peak demand savings
6 goals because he arrived at his desired peak savings energy targets from a
7 “top-down” approach, not a “bottom-up” approach. He then recommends
8 that:

9 *“the PSC initiate a process to more carefully assess peak demand*
10 *savings potential, perhaps even as part of the utilities’ energy*
11 *efficiency program plan filings, in order to establish such goals.”*

12 *(Page 44, lines 8-10)*

13 **Q. Is establishing Summer and Winter MW goals a large part of the**
14 **objective in this current docket?**

15 A. Yes, and he clearly fails to do so.

16

17 **III. DISREGARD FOR THE DECADES OF RELIANCE UPON THE**

18 **COST-EFFECTIVENESS TESTS USED IN FLORIDA**

19

20 **Q. Does Mr. Grevatt offer any opinions on the RIM test beyond what you**
21 **have already discussed?**

22 A. Yes, Mr. Grevatt goes out of his way to disparage the use of the RIM test,
23 stating that it is “not a cost-effectiveness test” and stating that it is only used
24 as a primary cost-effectiveness test in Florida.

1 **Q. Is it reasonable to base planning assumptions around the priorities of the**
2 **jurisdiction in which you are planning?**

3 A. Yes. One of Mr. Grevatt’s most prominently cited materials is the National
4 Standard Practice Manual for Assessing Cost-Effectiveness of Energy
5 Efficiency Resources. While FPL does not in any way endorse this manual, it
6 should be noted that Mr. Grevatt’s approach for setting goals violates the very
7 first principle set forth in the Manual’s Executive Summary: “tailor DSM to
8 the Goals of the jurisdiction.”

9 **Q. Does Mr. Grevatt’s DSM “analysis” follow this precept?**

10 A. No. As previously stated, Mr. Grevatt goes out of his way to disparage the
11 RIM test’s usefulness as a cost-effectiveness test for DSM. However, he
12 disregards the fact that the RIM test is a Commission-approved cost-
13 effectiveness test for DSM and the Commission has stated that its policy is to
14 use both the RIM and TRC tests, along with the Participant test, in setting
15 DSM goals. As a result, the Florida Commission has used the RIM test for
16 several decades in its DSM Goals setting process. The fact that use of the
17 RIM test has been prevalent in Florida for so long, and the fact that FPL has
18 electric rates that are among the lowest in the nation, are certainly not
19 coincidental.

1 **IV. ATTEMPTING TO MINIMIZE THE RATE AND BILL IMPACTS OF**
2 **DSM NOT BASED ON THE RIM TEST**

3
4 **Q. Does Mr. Grevatt provide any commentary on the rate impact of the**
5 **TRC plan versus the RIM plan?**

6 A. Yes. Mr. Grevatt describes the differential between the TRC plan and the RIM
7 plan as “almost imperceptible.”

8 **Q. Is this an accurate portrayal of this rate impact?**

9 A. No. Mr. Grevatt’s review of my direct testimony either ignored or missed
10 Exhibit AWW-11. In this exhibit, I show that although the rate differential
11 between the TRC plan and the RIM plan seems small, this differential equates
12 to a nearly \$200 million one-time payment from customers in 2029. A \$200
13 million charge to customers is certainly not “imperceptible” or
14 inconsequential.

15 **Q. Does Mr. Grevatt’s use of only Cumulative Present Value of Revenue**
16 **Requirements (CPVRR) for the economic analysis of resource plans with**
17 **different levels of DSM result in a complete picture of DSM’s impact?**

18 A. No. As stated in pages 9 and 10 of my direct testimony, CPVRR alone cannot
19 be used in economic analysis between resource plans that have different levels
20 of DSM. The rate and bill impacts must also be accounted for in order to have
21 a complete picture of the impact of DSM. Therefore, Mr. Grevatt’s statement
22 that FPL’s customers would be given \$104 million dollars in “bill savings” is
23 an incomplete view because it does not account for the rate impact on all of
24 FPL’s customers, and does not account for the individual bill impact on

1 customers who either do not or cannot participate in DSM offerings that fail
2 the RIM test.

3 **Q. Does Mr. Grevatt offer any analysis showing the projected rate and bill**
4 **impacts of his 1.5% of sales recommendation?**

5 A. No.

6 **Q. Did FPL conduct an analysis of the projected rate and bill impacts of Mr.**
7 **Grevatt's 1.5% of sales recommendation?**

8 A. Yes. Mr. Grevatt recommended a GWh-only reduction goal that scaled up to
9 a 1.5% reduction in sales by 2024. An analysis was performed based on such a
10 goal. The results of this analysis are presented in Exhibits AWW-15 through
11 AWW-18.

12 **Q. How was this analysis conducted?**

13 A. FPL began with the Levelized System Average Electric Rate calculation for
14 its TRC resource plan that was previously presented in my direct testimony in
15 Exhibit AWW-11. The following modifications to this sheet were then made
16 to approximate the effects of SACE's recommendation of a 1.5% of sales
17 target:

18 • Because the Exhibit AWW-11 sheet utilizes the projected total
19 GWh sales value, and Mr. Grevatt's recommended 1.5% reduction
20 goal applies only to the retail sales portion of total sales, I
21 developed annual modifiers to address the additional impact of the
22 GWh goal on total GWh sales. These annual modifiers were then
23 multiplied by the previously projected net annual GWh sales in

1 Exhibit AWW-11 to derive reduced annual total sales projections
2 in line with the GWh goal. This appears in Column (8a) of Exhibit
3 AWW-15.

- 4 • Because the “1.5% reduction in sales” goal would reduce projected
5 variable costs, the same annual modifiers were multiplied by the
6 previously projected variable costs to derive reduced annual
7 variable costs. This is shown in Column (2) of Exhibit AWW-15.
- 8 • In order to achieve such an extreme level of GWh reduction,
9 projected DSM expenditures would have to increase. The GWh
10 associated with 1.5% of FPL’s retail sales is over 50 times the
11 GWh associated with FPL’s TRC resource plan. FPL
12 conservatively assumed that the currently projected DSM program
13 costs for the TRC resource plan would increase by only a factor of
14 20. This is shown in Column (3) of Exhibit AWW-15.
- 15 • FPL then produced a Levelized System Average Electric Rate
16 based on these assumptions to achieve a 1.5% of sales “goal” and
17 compared this rate to the levelized rates and bill impacts of the
18 three resource plans FPL originally presented.

19 **Q. What were the results of this analysis?**

20 A. These results are presented in Exhibits AWW-15 through AWW-18. Exhibit
21 AWW-15 shows that Mr. Grevatt’s 1.5% of sales proposal results in a
22 Levelized System Average Electric Rate of 10.3906 cents/kWh.

1 **Q. How does this compare to the Levelized System Average Electric Rates of**
2 **the three resource plan presented in your direct testimony?**

3 A. Exhibit AWW-16, which is an expanded version of Exhibit AWW-10 from
4 my direct testimony, shows this comparison. The levelized rate for SACE's
5 1.5% of sales proposal appears on the last row and is, as expected,
6 significantly larger than the levelized rate for all three of the resource plans
7 FPL originally presented (the Supply Only plan, the RIM plan, and the TRC
8 plan). To provide some context for how much larger this rate is, Exhibit
9 AWW-17 shows the calculation of how large a one-time cost added in 2029
10 would have to be in order to make the Levelized System Average Electric
11 Rate of the RIM plan equivalent to the Levelized System Average Electric
12 Rate of SACE's 1.5% plan. This exhibit shows in Column (5) that over \$27
13 billion dollars would need to be added in 2029 to equalize the rates of these
14 two plans.

15 **Q. What effect does SACE's recommendation have on annual rates and bill**
16 **impact for customers?**

17 A. This effect is shown in Exhibit AWW-18. For the period of 2020-2030,
18 SACE's plan is expected to increase the cost to a customer whose monthly
19 usage of 1,200 kWh does not change as a result of this 1.5% reduction plan
20 (i.e., a non-participant in DSM), by almost \$1,020 when compared to the
21 Supply Only plan. For reference, over the same period, the RIM plan (on
22 which FPL based its proposed goals) is expected to decrease the same
23 customer's bills compared to the Supply Only plan by \$1.54. To put things

1 into perspective, through 2030 SACE's plan costs a customer who continues
2 to use 1,200 kWh per month over \$1,000 more than a plan based on FPL's
3 proposed Goals.

4
5 **V. OTHER CONSIDERATIONS – LINE LOSSES AND NON-ENERGY**
6 **BENEFITS**

7
8 **Q. Does Mr. Grevatt bring up any other considerations that you wish to**
9 **address?**

10 A. Yes. In his "review of assumptions," Mr. Grevatt brings up two points from
11 which he draws erroneous conclusions.

12 **Q. What is the first of these two points?**

13 A. The first of these points is found on page 35, lines 1-7 of his testimony. In
14 this paragraph, Mr. Grevatt alleges that FPL incorrectly used only average
15 values for line losses when converting the impacts of DSM from customer
16 savings at the meter to savings at the generator.

17 **Q. What does Mr. Grevatt propose that FPL should have done in evaluating**
18 **line losses?**

19 A. Mr. Grevatt claims that utilities should use "marginal" line loss rates in
20 evaluating DSM measures.

21 **Q. Does Mr. Grevatt explain what marginal line losses are?**

22 A. No. Mr. Grevatt only claims that by "definition," marginal line losses should
23 be used in evaluating DSM measures. He does not, however, provide a
24 definition of what he means by the term marginal. Instead, he references an

1 online paper (in his footnote #39) that uses a hypothetical utility to justify the
2 use of higher line loss values.

3 **Q. How did FPL account for line losses in its analyses?**

4 A. FPL used the information from its latest available line loss study (from 2018
5 using values for the full year of 2017) in its DSM analyses. FPL's line losses
6 were 6.14% for monthly peak periods and 4.86% for energy over the entire
7 year. For an example, a DSM measure with 1 kW of Summer peak reduction,
8 1 kW of Winter peak, and 1000 kWh of annual energy reduction at the meter
9 would have those values adjusted upwards due to line losses to 1.065 peak kW
10 reduction at the generator, and 1,051 annual kWh reduction at the generator¹.

11 **Q. Would it be appropriate for FPL to use a theoretical calculation of**
12 **marginal line losses in DSM analysis?**

13 A. No. Rather than base its line loss factors around a theoretical calculation, FPL
14 uses the most recent actual system line loss values based on real-world
15 performance of its electric system. These values account for the varying
16 levels of load that an electric system will experience over the course of the
17 year.

18 **Q. Why is it important to differentiate between line losses at the peak and**
19 **line losses for annual energy?**

20 A. Line losses at the peak are generally higher during periods of high system load
21 (one of the few facts present in the paper Mr. Grevatt uses to support his line
22 loss conjecture). Peak loads represent system loads at the margin.

¹ Calculations for line losses are: $1\text{kW} / (1 - 0.0614) = 1.065\text{ kW}$ peak demand and $1,000\text{ kWh} / (1 - 0.0486) = 1,051\text{ kWh}$ annual energy

1 Consequently, line losses based on peak load conditions represent line losses
2 at the margin.

3

4 However, annual energy sales occur during each of the annual 8,760 hours
5 and in a wide variety of system conditions. As a result, there is no single
6 “marginal” line loss number that would be appropriate to use for energy sales
7 for all hours of the year. Therefore, it is appropriate to use average annual line
8 losses to adjust the energy impact of DSM. As indicated in my response to
9 SACE Interrogatory 9 (Referenced in Mr. Grevatt’s Exhibit JMG-19), FPL
10 correctly uses average line losses when adjusting for energy, and peak line
11 losses when adjusting for demand.

12 **Q. Does Mr. Grevatt recognize the value of using different line loss factors**
13 **for energy and demand?**

14 A. No. Mr. Grevatt’s final 1.5% of sales proposal for DSM is entirely based on
15 annual energy reduction that would occur over 8,760 hours of varying load,
16 yet he incorrectly advocates usage of a marginal line loss factor that only
17 occurs at high load.

18 **Q. Is FPL’s approach of using line losses consistent with the way it analyzes**
19 **supply-side options?**

20 A. Yes. When evaluating a new supply-side option, FPL typically performs a
21 line loss analysis based on, among other factors, the unit’s capacity, projected
22 hours of operation, and location. Based on these factors, FPL’s system studies
23 produce a line loss value for that unit based on the system peak period, as well

1 as a line loss value for annual energy over the remainder of the year. This is
2 consistent with how line losses are accounted for in the evaluation of DSM
3 measures.

4 **Q. What is the second point that Mr. Grevatt addresses?**

5 A. On page 35, lines 8-22 of his testimony, Mr. Grevatt contends that FPL failed
6 to include all participant benefits in the TRC test.

7 **Q. What other participant benefits does Mr. Grevatt feel that FPL
8 excluded?**

9 A. Mr. Grevatt lists the following:

- 10 • Other fuel savings (for example, natural gas savings for a house
11 that uses gas heat);
- 12 • Water savings (for example, reduced water usage from low-flow
13 showerheads; and
- 14 • “[A]ny of a range of non-energy benefits,” which Mr. Grevatt does
15 not further clarify.

16 **Q. Is FPL a natural gas utility?**

17 A. No.

18 **Q. Is FPL a water utility?**

19 A. No.

20 **Q. Is this docket focused solely on electric utilities?**

21 A. Yes.

1 **Q. Are any of the “non-energy” benefits (NEB) Mr. Grevatt proposes**
2 **reasonably quantifiable?**

3 A. No. Because FPL is not a natural gas or water utility, it would have no
4 information regarding a customer’s usage of either natural gas or water.

5 **Q. Does Mr. Grevatt propose any reasonable quantification of these NEBs**
6 **for use in FPL’s service area?**

7 A. No.

8 **Q. Do Commission rules require that any benefits be reasonably**
9 **quantifiable?**

10 A. Yes. Rule 25-17.008, F.A.C. requires that additional benefits must be
11 “reasonably quantified.”

12 **Q. Have any of these NEBs ever been included in previous DSM Goals**
13 **filings in Florida?**

14 A. No.

15

16 **VI. TOPICS IN MR. BRADLEY-WRIGHT’S TESTIMONY**

17

18 **Q. Does Mr. Bradley-Wright’s testimony have any topics you wish to**
19 **address?**

20 A. Yes, there are two topics in Mr. Bradley-Wright’s testimony that I will
21 address. The first of these is his assertion that use of the RIM test precludes
22 FPL from offering a Low-Income DSM Program. The second topic addresses
23 his proposal to move beyond a regular low-income program to outright
24 giveaways of costly, high-efficiency appliances.

1 **Q. Regarding the first point, what did Mr. Bradley-Wright’s testimony**
2 **address in regards to the RIM test?**

3 A. Much of Mr. Bradley-Wright’s opinions on the RIM test were either directly
4 referencing or parroting Mr. Grevatt’s opinions on the RIM test that are
5 rebutted earlier in my testimony and in the testimonies of other FPL
6 witnesses. However, Mr. Bradley-Wright also focused on the application of
7 the RIM test towards low-income measures and programs. In page 14, lines
8 1-22 of his testimony, Mr. Bradley-Wright details why he thinks that the RIM
9 test should not be used to evaluate low-income measures.

10 **Q. Did FPL’s Low-Income Program in the last DSM Plan pass RIM?**

11 A. No.

12 **Q. Did FPL still offer this program?**

13 A. Yes. In fact, Mr. Bradley-Wright’s testimony acknowledges this:

14 *“...since the 2014 Energy Efficiency Act proceeding, the Commission*
15 *and utilities do not require low-income efficiency measures and*
16 *programs to pass the RIM test.” (Page 14, lines 20-22)*

17 FPL has offered its Low-Income Program to customers for the past five years
18 despite the fact that it does not pass RIM.

19 **Q. Does application of the RIM test in DSM proceedings and the resulting**
20 **lower rate impacts benefit low-income customers?**

21 A. Yes, even if low-income customers are unable to participate in DSM
22 measures, these customers still benefit because measures that pass the RIM
23 test result in lower electric rates compared to measures that do not pass RIM.

1 This fact is especially important for low-income customers. As Mr. Bradley-
2 Wright notes in his testimony:

3 *“According to a recent report by the Federal Reserve, nearly 40*
4 *percent of Americans would struggle to cover an unexpected \$400*
5 *expense, such as a car repair or appliance replacement, and 12%*
6 *wouldn’t be able to pay their current monthly bills, while others resort*
7 *to high-interest short-term lending (e.g. payday loans), which can lead*
8 *to even greater financial risk.” (Page 6, lines 8-12)*

9 Mr. Bradley-Wright’s testimony states that many low-income customers
10 would struggle with a \$400 expense. Out of the 525 residential energy
11 efficiency measures that were evaluated, 224 of them have incremental costs
12 to the participant greater than \$400. Stated otherwise, 43% of the measures
13 identified in the Technical Potential study would be out of reach of the
14 customers Mr. Bradley-Wright has identified. However, all of those
15 customers would benefit from continued low electric rates.

16 **Q. Does Mr. Bradley-Wright propose any DSM solutions for these low-**
17 **income customers who may not be able to afford to participate in DSM**
18 **measures such as these?**

19 A. Yes, and that proposal is the second point I wish to address. This point deals
20 with Mr. Bradley-Wright’s suggestion of a “deeper savings” program and how
21 such a program fares under the RIM and TRC cost-effectiveness tests used in
22 Florida.

1 **Q. What does Mr. Bradley-Wright propose in his “deeper savings”**
2 **suggestion?**

3 A. Mr. Bradley-Wright proposes the following in his testimony:

4 *“...larger scale improvements like HVAC equipment replacement,*
5 *insulation, water heaters, and appliances upgrades, and*
6 *comprehensive air sealing for ductwork and building envelopes do*
7 *more to address the root causes of high energy burdens by eliminating*
8 *significantly more energy waste and therefore substantially reduce*
9 *monthly energy bills. Therefore, the other program delivery channel*
10 *should strive to capture deep savings for each participant, sufficient to*
11 *reduce electric bills enough to materially improve the financial*
12 *standing of the low-income customers served every month for many*
13 *years to follow.” (Page 28, lines 4-12)*

14 Essentially, Mr. Bradley-Wright proposes a low-income program in which the
15 utility’s non-low-income customers, and non-participating low-income
16 customers, pay the entire cost for appliance replacements for participating
17 low-income customers.

18 **Q. Did Mr. Bradley-Wright provide an analysis that showed how his**
19 **“deeper savings” program fares under the RIM and TRC tests?**

20 A. No.

1 **Q. How do Mr. Bradley-Wright’s “deeper savings” proposals fare under the**
 2 **cost-effectiveness tests used in Florida?**

3 A. Table 1 below shows the results under both the RIM and TRC tests of FPL
 4 giving away appliances for free. The total cost for the appliance and its
 5 installation are considered utility program costs under the both the RIM and
 6 TRC test. The assumptions for appliance costs, kW reduction, and kWh
 7 reduction are the same that FPL witness Koch explains and uses in his rebuttal
 8 testimony.

9
 10 The first column analyzes the cost-effectiveness ratios of a proposal in which
 11 FPL covers the entire cost of replacing just a customer’s AC system. The
 12 second and third columns repeat this analysis for proposals that cover the
 13 entire cost of just an efficient refrigerator, and just an efficient water heater,
 14 respectively. The fourth column shows a proposal that covers the cost of all
 15 three appliances.

16
 17 **Table 1**

	(1)	(2)	(3)	(4)
	"Deeper Savings" AC Unit	"Deeper Savings" Energy Star Refrigerator	"Deeper Savings" Efficient Water Heater	"Deeper Savings" AC, Fridge, and Water Heater
Summer kW Reduction:	0.14	0.02	0.01	0.17
Winter kW Reduction:	0	0.01	0.03	0.04
Annual kWh Reduction:	287	164	120	571
Cost of Appliances:	\$4,500	\$1,196	\$1,133	\$6,829
RIM Ratio =	0.04	0.04	0.03	0.04
TRC Ratio =	0.04	0.05	0.04	0.04
Participant Test Ratio =	Infinite	Infinite	Infinite	Infinite

1 **Q. What do these results show about this “deeper savings” proposal?**

2 A. The Participant test results are, not surprisingly, infinite (in other words, the
3 participant benefits are infinitely higher than the participant costs), because
4 the low-income participant incurs no cost to participate in these measures. All
5 of the individual appliance measures as well as the combination measure all
6 have RIM ratios approaching zero, indicating that the “deeper savings”
7 proposal places an extreme cost and electric rate burden on the rest of FPL’s
8 customers. Finally, all of these measures also have a TRC benefit-to-cost
9 ratio approaching zero. Mr. Bradley-Wright’s testimony on page 15, lines 1-
10 19 goes through why he believes the TRC test is the appropriate test to use to
11 evaluate low-income measures. However, by his own criteria, these “deeper
12 savings” measures would be eliminated by his favored TRC test.

13 **Q. Are the magnitudes of the cost-effectiveness ratios in Table 1 significant?**

14 A. Yes. A cost-effectiveness ratio consists of the benefits of a measure divided
15 by its cost. Therefore, a ratio of 1.00 indicates that the costs are equal to the
16 benefits. A cost-effectiveness ratio of 0.50 then indicates that the costs for a
17 measure are twice that of the benefits. In the examples I outlined analyzing
18 Mr. Bradley-Wright’s “deeper savings” proposal, the RIM ratio was 0.04 and
19 the TRC ratio was 0.04. If one were to evaluate this measure using the TRC
20 (as Mr. Bradley-Wright claims is appropriate), the costs would be roughly
21 twenty-five times the benefits.

VII. CONCLUSIONS

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Q. Please summarize the main issues you have with Mr. Grevatt's and Mr. Bradley-Wright's testimonies.

A. The two issues that best encapsulate the problems with both Mr. Grevatt's and Mr. Bradley-Wright's testimonies are the following:

- The lack of any resource planning analysis in regards to setting Goals; and
- The lack of knowledge and/or respect for years of Commission practices and direction in regard to the analysis of DSM.

The lack of any resource planning analysis results in fundamental flaws in the recommendations from both witnesses. FPL has utilized its resource planning principles to ensure that its customers would have reliable electric service at the lowest possible electric rates for years. SACE's witnesses both disregarded these principles and, instead, base their goals by "copy-catting" what they claim are "leading" utilities.

Furthermore, both witnesses argue against tried and true methods for evaluating DSM that have been used by the Commission for close to 25 years and which are required in DSM goals-settings in Florida. They offer no compelling argument for abandoning the RIM test that has helped customers avoid unnecessary rate impacts from non-cost-effective DSM measures for almost three decades. In Mr. Grevatt's case, this lack of perspective on use of the RIM test led him to propose a 1.5% of sales reduction plan that would

1 greatly increase the electric rates of FPL customers, and increase bills for non-
2 participants in DSM, over the next ten years. In Mr. Bradley-Wright's case,
3 this lack of perspective leads him to disregard the benefits that low electric
4 rates offer customers and leads him to suggest a "deeper savings" program
5 that would not pass even his favored TRC test. For these reasons, I would
6 recommend that the Commission reject the proposed Goals set forth by both
7 Mr. Grevatt and Mr. Bradley-Wright.

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

9 A. Yes.

1 BY MR. GUYTON:

2 Q Did you also include AWW-15 through 18 with
3 your rebuttal testimony?

4 A Yes, I did.

5 Q And is the information in your Exhibits AWW-15
6 through 18 true and correct to the best of your
7 knowledge and belief?

8 A Yes, it is.

9 MR. GUYTON: Commissioners, those have been
10 identified in the composite exhibit as Exhibits 95
11 through 98.

12 COMMISSIONER BROWN: Noted.

13 BY MR. GUYTON:

14 Q Mr. Whitley, please summarize your rebuttal
15 testimony for the Commissioners.

16 A Commissioners, my rebuttal testimony addresses
17 a number of inadequacies in the testimonies of both SACE
18 witnesses. The three major problems in their
19 testimonies are the following:

20 One, the lack of any resource planning
21 analysis in the development of their goals.

22 Two, the disregard for decades of Commission
23 reliance upon the RIM cost-effectiveness test in setting
24 DSM goals.

25 And three, the attempts to minimize the

1 electric rate impact much DSM.

2 Although the differences in levelized electric
3 rate seem small, they are spread over billions of
4 kilowatt hours in over 40 years of analysis.

5 My testimony also addresses SACE's 1.5 percent
6 of sales approach to setting proposed goals. The
7 proposal is based on neither Commission rules nor
8 utility specific planning processes. Instead, it's
9 based on a copycat approach that cherrypicks data from
10 other states to inflate FPL's goals at the expense of
11 all customers.

12 Although SACE did not provide the analysis
13 regarding the rate impact of this plan, FPL's
14 calculations show that the rate impact of this plan
15 would be staggering. A nonparticipant would experience
16 over \$1,000 of impact through 2030 when compared to
17 FPL's RIM based goals.

18 My rebuttal testimony also addresses SACE's
19 suggestion of a low income program that gives away
20 expensive appliances to some low income customers.
21 Despite heavily touting the TRC test as a litmus test
22 for DSM, SACE's proposed free appliance giveaway program
23 drastically fails that TRC, providing four cents of
24 benefits for every dollar of cost. Furthermore, it
25 would have significant rate impacts on the general body

1 of FPL's customers.

2 My recommendation is the Commission ignores
3 SACE's attempts to diverge from Commission rules and
4 practice and reject SACE's proposals. Instead, the
5 Commission's approved goals that are based on sound
6 resource planning principles, consider a rate impact to
7 all of FPL's customers and incorporate all the
8 Commission's rules regarding DSM goals analysis. FPL's
9 proposed goals based on the RIM satisfy all the
10 aforementioned requirements and should be approved.

11 Thank you.

12 MR. GUYTON: We tender the witness for cross.

13 CHAIRMAN GRAHAM: Okay. Mr. Whitley, welcome
14 back.

15 THE WITNESS: Thank you.

16 CHAIRMAN GRAHAM: OPC?

17 MS. FALL-FRY: No questions.

18 CHAIRMAN GRAHAM: Ms. Wynn?

19 MS. WYNN: No questions.

20 CHAIRMAN GRAHAM: Kelley?

21 MS. CORBARI: No questions.

22 CHAIRMAN GRAHAM: Mr. Moyle?

23 MR. MOYLE: No questions.

24 CHAIRMAN GRAHAM: SACE?

25 MR. MARSHALL: Just a couple of questions.

1

EXAMINATION

2 BY MR. MARSHALL:

3 Q Mr. Whitley, if I could direct your attention
4 to your rebuttal testimony, page seven, line 4.

5 A Thank you.

6 Q You stated that the timing and magnitude of
7 these resource needs are not determined solely on
8 increasing system demand, but would you agree that
9 increasing system demand does drive some of FPL's
10 resource needs?

11 A No. I would say that increasing system demand
12 is one of the factors that goes into analyzing FPL's
13 reliability criteria. An increase in demand does affect
14 those reliability criteria and is a factor, along with
15 all the other factors that I have listed here.

16 Q And if I could direct your attention to page
17 eight, line 18 of your rebuttal testimony.

18 A Okay.

19 Q The RIM test itself is not used on supply side
20 options, is that right?

21 A The RIM test in itself is a specific test used
22 in DSM analysis comparing a DSM measure or program to a
23 supply side option that can be avoided. So as such, it
24 is not specifically used in comparing supply side
25 options. However, the same principles that drive the

1 RIM test are used when FPL analyzes supply side options
2 and resource plans containing multiple supply side
3 options.

4 **Q Thank you.**

5 MR. MARSHALL: No further questions.

6 CHAIRMAN GRAHAM: Staff?

7 MS. DUVAL: No questions.

8 CHAIRMAN GRAHAM: Commissioners?

9 Redirect?

10 MR. GUYTON: No redirect.

11 We would move Exhibits 95 through 98.

12 CHAIRMAN GRAHAM: Any objections to entering
13 95 through 98? Seeing none, we will enter those
14 into the record.

15 (Whereupon, Exhibit No. 95-98 were received
16 into evidence.)

17 MR. GUYTON: We would ask Mr. Whitley be
18 excused.

19 CHAIRMAN GRAHAM: Mr. Whitley, travel safe.
20 Thanks for coming.

21 THE WITNESS: Thank you.

22 (Witness excused.)

23 MR. GUYTON: Florida Power & Light calls Steve

24 Sim.

25 Whereupon,

1 STEVEN R. SIM

2 was recalled as a witness, having been previously duly
3 sworn to speak the truth, the whole truth, and nothing
4 but the truth, was examined and testified as follows:

5 EXAMINATION

6 BY MR. C. WRIGHT:

7 Q Good afternoon, Dr. Sim. You have previously
8 been sworn, correct?

9 A Yes.

10 Q Okay. Will you please state your name and
11 business address for the record?

12 A Steve Sim, 700 Universe Boulevard, Juno Beach,
13 Florida.

14 Q By whom are you employed, and in what
15 capacity?

16 A By Florida Power & Light as Director of
17 Integrated Resource Planning.

18 Q Have you prepared and caused to be filed 48
19 pages of rebuttal testimony?

20 A Yes.

21 Q Do you have any corrections or changes to your
22 rebuttal testimony?

23 A No.

24 Q If I asked you the questions contained in your
25 rebuttal testimony, would your answers be the same?

1 A Yes.

2 Q And attached to your testimony is an exhibit
3 identified as SRS-6. Do you have that exhibit?

4 A Yes.

5 Q Okay.

6 MR. C. WRIGHT: And, Chairman, I would note
7 that is staff Exhibit 99 on the comprehensive
8 exhibit list.

9 CHAIRMAN GRAHAM: Duly noted.

10 BY MR. C. WRIGHT:

11 Q Was Exhibit SRS-6 prepared by you or under
12 your direct supervision?

13 A Yes.

14 Q Do you have any corrections to that exhibit?

15 A No, I do not.

16 Q Okay. Have you prepared a summary of your
17 rebuttal testimony?

18 A Yes, I have.

19 Q Would you please provide that?

20 A Be glad to.

21 Good afternoon again, Chairman Graham and
22 Commissioners.

23 My rebuttal testimony discusses a number of
24 problems found in the testimonies of the two SACE
25 witnesses. In the interest of time today, I will merely

1 summarize a few of the problems in their collective
2 testimonies.

3 First, what did the SACE witnesses not do?
4 They did not contest the facts that cost-effectiveness
5 of utility DSM is steadily declining overall, and that
6 it is declining even more for FPL as FPL's system
7 continues to get more fuel efficient.

8 They did not perform any FPL specific, or even
9 Florida specific analyses. And they did not base their
10 recommendations on cost-effectiveness considerations or
11 on each individual utility's planning process as
12 required by this commission's policy.

13 Second, what the SACE witnesses actually did.
14 They did recommend for FPL only a gigawatt hour overall
15 goal that is 2,476 percent of FPL's current gigawatt
16 hour goal. That recommendation is both illogical based
17 on the fact of declining DSM cost-effectiveness, and is
18 unsupported by any FPL or Florida based analysis.

19 They did discuss a new how to guide supposedly
20 intended to assist jurisdictions such as this commission
21 in making DSM related decisions by first using the
22 guiding principle of, I quote, identify and articulate
23 the jurisdiction's applicable policy goals, unquote.
24 But they then completely ignored this commission's
25 clearly articulated policy and requirements for setting

1 DSM goals when making their recommendations.

2 And they did make numerous inaccurate and/or
3 misleading statements regarding resource planning
4 principles and concepts that are at the foundation of
5 resource decision-making. With these misstatements, the
6 SACE witnesses demonstrate a lack of knowledge and
7 experience regarding resource decision-making which
8 undermines their testimony.

9 In conclusion, based on these many problems,
10 the testimony of the two SACE witnesses are not credible
11 for the purposes of this docket, and their
12 recommendations should be given little or no serious
13 consideration.

14 I suggest, instead, that the Commission set as
15 goals for FPL those proposed by FPL, which are based on
16 rigorous analysis using its resource planning process
17 that includes cost-effectiveness evaluations based on
18 current forecast and assumptions.

19 Thank you.

20 **Q Thank you, Dr. Sim.**

21 MR. C. WRIGHT: We tender the witness for
22 cross.

23 CHAIRMAN GRAHAM: Do you want to enter his
24 rebuttal testimony into the record?

25 MR. C. WRIGHT: Oh, have I not done that?

1 Thank you.

2 We would ask that Dr. Sim's rebuttal testimony
3 be entered into the record as though read.

4 CHAIRMAN GRAHAM: We will enter rebuttal
5 testimony into the record as though read.

6 MR. C. WRIGHT: Thank you.

7 (Whereupon, prefiled testimony was inserted.)

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I. INTRODUCTION

1

2

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

4 A. My name is Steven R. Sim, and my business address is Florida Power & Light
5 Company, 700 Universe Boulevard, Juno Beach, Florida 33408.

6 **Q. Have you previously submitted direct testimony in this proceeding?**

7 A. Yes.

8 **Q. Are you sponsoring any rebuttal exhibits in this case?**

9 A. Yes. I am sponsoring one exhibit that is attached to my rebuttal testimony:

10 Exhibit SRS-6 Inaccurate and/or Misleading Statements Made by
11 SACE Witness Grevatt.

12 **Q. What is the purpose of your rebuttal testimony?**

13 A. My rebuttal testimony discusses a number of issues and problems found in the
14 testimonies of the two witnesses who represent the Southern Alliance for
15 Clean Energy (“SACE”) in this docket: Mr. Grevatt and Mr. Bradley-Wright.

16 **Q. How is your rebuttal testimony structured?**

17 A. My rebuttal testimony is structured to address the nine (9) main topics
18 identified in the table of contents. I then close my testimony with a few
19 concluding remarks.

20 **Q. Please provide a summary of your testimony.**

21 A. I will summarize the key points of my testimony in bullet format.

22 • SACE’s witnesses do not even attempt to contest the fact that the cost-
23 effectiveness of utility Demand-Side Management (“DSM”) has been
24 declining for some time and that this trend is continuing. Nor do they

1 contest the fact that, due to FPL’s continuing efforts to improve the
2 efficiency of its generating system, the cost-effectiveness of utility
3 DSM is declining even more for FPL’s system. Because they cannot
4 dispute these facts that were discussed in my direct testimony, Mr.
5 Grevatt attempts to distract attention away from declining cost-
6 effectiveness in three ways: (i) to disparage the Rate Impact Measure
7 (“RIM”) cost-effectiveness test, (ii) to allege problems in the
8 determination of DSM Achievable Potential, and (iii) use the first two
9 distractions as a premise to completely abandon any and all cost-
10 effectiveness considerations in recommending a DSM Goal.

11 • Despite the undisputed fact of steadily declining cost-effectiveness of
12 utility DSM, particularly for FPL’s system, Mr. Grevatt recommends a
13 GWh Goal that is 2,476% of the current FPL GWh Goal. Mr.
14 Grevatt’s recommended GWh Goal is unreasonable, unsupported, and
15 inconsistent with the State of Florida requirements for goals-setting. In
16 addition, this recommendation is even more extreme than the
17 recommendation SACE made, and which the Florida Public Service
18 Commission (“FPSC”) rejected, in the last DSM Goals docket (Docket
19 No. 20130199-EI). In addition to being extreme, the current
20 recommendation by SACE’s witness is illogical.

21 • The approach Mr. Grevatt used to “develop” his recommended GWh
22 Goal – simply pointing to other states and saying in effect that “they
23 are doing it so you should too” – is not based on any FPL-specific (or

1 even Florida-specific) analyses. Therefore, his recommended DSM
2 Goal is unsupported and indefensible.

- 3 • By “developing” his recommended Goal, Mr. Grevatt clearly violated
4 or ignored Florida requirements for developing DSM Goals. He did
5 not (i) base his recommendation using FPL’s most recent planning
6 process, or (ii) take DSM cost-effectiveness into account.
- 7 • The two SACE witnesses have experience in the energy efficiency
8 industry, but have no experience in actually planning a utility system,
9 performing system reliability analyses, or analyzing supply options. As
10 a consequence of their lack of experience in these areas, which are
11 important in a resource goals-setting docket, they made numerous
12 inaccurate and/or misleading statements which significantly undermine
13 their credibility.
- 14 • Finally, despite making several references to a document (largely
15 developed by the energy efficiency industry) that purports to show the
16 energy efficiency industry how to give guidance to utility regulators in
17 meeting the regulators’ policy guidelines, Mr. Grevatt chose to violate
18 or ignore the “guiding principle” of the very document he repeatedly
19 referred to: to “*identify and articulate the jurisdiction’s applicable*
20 *policy goals*”.¹ Although the FPSC has clearly articulated what its
21 policy goals and requirements are in regard to DSM goals-setting, Mr.
22 Grevatt chose to simply ignore those policy goals and requirements as

¹ Page ix, Executive Summary, National Standard Practice Manual for Assessing Cost-Effectiveness of Energy Efficiency Resources, Edition 1 Spring 2017

1 well. He then, in effect, tells the FPSC that he knows better than they
2 do what is best for the State of Florida.

3

4 I conclude from my review that SACE's witnesses, due to the combination of
5 their many inaccurate and/or misleading statements, and the fact that they
6 performed no FPL-specific (or even Florida-specific) analyses to support their
7 recommendation, have no credibility for the purposes of this docket. As a
8 result, their recommendation in this docket should be rejected.

9

10 II. REBUTTAL OF INTERVENOR ARGUMENTS

11

12 1) **What the SACE witnesses had to say about the fact that the cost-effectiveness**
13 **of utility DSM has been steadily declining and continues to decline**

14

15 **Q. In your direct testimony, you discussed the fact that the cost-effectiveness**
16 **of utility DSM, whether evaluated by the RIM or TRC cost-effectiveness**
17 **screening test, has been steadily declining for years and that it is**
18 **continuing to decline. Did either of the intervenor testimonies contest that**
19 **fact?**

20 A. No. Their combined testimony is 75 pages in length, not including the
21 exhibits. However, they did not address this fact even once.

1 **Q. In addition to this overall decline in the cost-effectiveness of utility DSM,**
2 **you discuss in your direct testimony the additional fact that the**
3 **significant improvements FPL continues to make regarding the efficiency**
4 **with which electricity is produced by its generating system further reduce**
5 **the cost-effectiveness of utility DSM on FPL's system. Did either of the**
6 **intervenor testimonies contest that fact?**

7 A. No.

8 **Q. What can be reasonably concluded from the fact that neither of the**
9 **SACE witnesses took issue with these two points?**

10 A. I note that the first of these two points is critical in regard to setting DSM
11 Goals for all Florida utilities (including FPL) and the second point is critical
12 in regard to setting DSM Goals specifically for FPL. Because these two points
13 are critical in this docket, it is reasonable to conclude that, because the SACE
14 witnesses do not contest either of these two points, they simply cannot dispute
15 these facts. Certainly if the opposite had been the case – DSM cost-
16 effectiveness was seen to be increasing – these witnesses would have shone a
17 very bright spotlight on such a trend and would probably have made it a
18 centerpiece of their testimonies.

19 **Q. Do you believe that the declining cost-effectiveness of utility DSM**
20 **influenced the testimony of the SACE witnesses?**

21 A. Yes. The omission in their testimonies of even an attempt to contest these
22 points amounts to a silent admission by the SACE witnesses that utility DSM
23 cost-effectiveness has been declining, and continues to decline. Consequently,

1 their testimonies stay as far away as possible from a discussion of DSM cost-
2 effectiveness. In particular, Mr. Grevatt's testimony attempts to divert
3 attention away from declining cost-effectiveness in three ways: (i) by
4 disparaging the RIM cost-effectiveness test (through a series of unfortunately
5 chosen statements), (ii) by alleging problems in the determination of
6 Achievable Potential, and (iii) by using the first two topics as a premise to
7 attempt to completely abandon any consideration of DSM cost-effectiveness
8 in regard to DSM Goals.

9
10 **2) The "reasonableness" of the DSM Goal recommended by Mr. Grevatt**

11
12 **Q. In your direct testimony you show that for a proxy DSM measure, the**
13 **benefits of implementing that measure are approximately 33% lower**
14 **than would have been projected for the same DSM measure in the last**
15 **DSM Goals docket. Based on that, what would be a reasonable conclusion**
16 **to draw regarding in what direction the new Goals should move?**

17 A. Assuming that DSM Goals will continue to be set based primarily on cost-
18 effectiveness (which should be the case when considering any supply or DSM
19 option), and assuming all else equal, the only reasonable conclusion is that
20 DSM Goals should be set lower than in the last DSM Goals docket.

1 **Q. Do the SACE witnesses recommend Goals that move in that direction?**

2 A. No. The SACE witnesses ignore the fact that utility DSM cost-effectiveness is
3 significantly lower and propose DSM Goals that are enormously higher than
4 those set in the last DSM Goals docket based on cost-effectiveness.

5 **Q. What are the DSM Goals proposed by SACE's witnesses?**

6 A. I think that is actually a difficult question to definitively answer. In Mr.
7 Grevatt's testimony, he initially suggested that goals could be set using two
8 approaches. His first approach was to use a series of "what if" assumptions in
9 which he attempted to "adjust" the analyses the utilities performed. His
10 second approach was to:

11

12 *"...require each Florida utility to ramp up to 1.50% incremental annual*
13 *(energy) savings per year..." (Page 38, line 20)*

14

15 In regard to his first approach, Mr. Grevatt made some "what if" adjustments
16 that led to tables that showed Summer MW, Winter MW, and annual GWh
17 values for the 10-year period. However, Mr. Grevatt ultimately discarded his
18 first approach, and recommended his second approach, with the following
19 statement on page 42, lines 21 through 25:

20

21 *"...since it is not possible to make all the needed corrections to the utilities'*
22 *analyses in this proceeding, I recommend that the PSC consider what the*

1 *leading Southern utilities have achieved....energy savings equal to*
2 *approximately 1.5% of sales per year.”*

3

4 However, Mr. Bradley-Wright used a table of values from Mr. Grevatt’s
5 discarded first approach, then took a percentage of that table’s values to create
6 his own set of values that he presents in his own tables. Because Mr. Grevatt
7 discarded his first approach and moved on to something else, it is unclear if
8 one SACE witness (Mr. Bradley-Wright) is basing his values on a set of
9 values the other witness (Mr. Grevatt) has decided not to recommend.

10

11 In short, there appears to be a lack of coordination and consistency, and
12 certainly a lack of clarity, between the two SACE witnesses in regard to what
13 they, in tandem, are actually recommending for FPL’s DSM Goals. However,
14 there is more clarity regarding what Mr. Grevatt alone is recommending.

15 **Q. How do Mr. Grevatt’s recommended DSM Goals for FPL compare to the**
16 **Goals that were set for FPL by the FPSC in the last DSM Goals docket?**

17 A. In the last DSM Goals docket (Docket No. 20130199-EI), the FPSC
18 established DSM Goals for all customers without specifically setting separate
19 Goals for low income customers. (Low income customers were addressed in
20 the DSM Plan docket that followed the DSM Goals docket.)

21

22 Mr. Grevatt’s recommendation also does not address DSM Goals for low
23 income customers. Therefore, a comparison of the DSM Goals set in the last

1 DSM Goals docket and Mr. Grevatt's recommendation allows an "apples to
 2 apples" comparison. This comparison, for FPL, is provided in the Table 1
 3 below.

Table 1
Comparison of FPSC's Current Goals for FPL
vs. SACE Witness Grevatt's Recommended DSM Goals for FPL

	(1)	(2)	(3) = (2) / (1)
	FPSC 2015-2024 DSM Goals for FPL	Grevatt's 2020-2029 Recommended DSM Goals for FPL	Difference (%)
Annual GWh	526	13,022	2476%
Summer MW	525	No recommendation	---
Winter MW	324	No recommendation	---

5

6

7 As shown in Table 1, Mr. Grevatt only recommended a Goal for GWh
 8 reductions. In regard to Summer MW and Winter MW Goals, Mr. Grevatt
 9 states on page 43, lines 20 that:

10

11 *"I cannot recommend specific peak demand savings targets..."*

12

13 Mr. Grevatt concludes his brief discussion of Summer MW and Winter MW
 14 goals by recommending that MW goals not be set now, but be set at some
 15 point in the future:

1 “...I would recommend that the PSC initiate a process to more carefully
2 *assess peak demand savings potential, perhaps even as part of the utilities’*
3 *energy efficiency program plan filings, in order to establish such goals.”*

4 (Page 44, lines 8 through 10)

5
6 In other words, Mr. Grevatt is recommending not to set Summer MW and
7 Winter MW goals in the DSM Goals docket that is intended for that purpose.

8 **Q. In light of the fact Mr. Grevatt did not contest that cost-effectiveness of**
9 **utility DSM has significantly declined since the last Goals were set and**
10 **that this trend is continuing, what is your reaction to the one Goal that**
11 **Mr. Grevatt recommends?**

12 A. In light of the trend of declining cost-effectiveness of DSM, and by
13 recommending a DSM Goal that is 2,476% of the last DSM Goal set by the
14 FPSC, Mr. Grevatt has obviously decided to recommend a Goal that is
15 completely divorced from any considerations of cost-effectiveness.

16 **Q. On page 3, lines 10-12 of his testimony, Mr. Grevatt states that his**
17 **testimony “assesses the reasonableness of the energy efficiency savings**
18 **goals proposed in this proceeding by the Florida utilities.” Do you think**
19 **that his recommended Goal is reasonable?**

20 A. No, it is not. The FPSC set Goals for FPL in 2014 that represented 100% of
21 FPL’s economic Achievable Potential. As demonstrated in the direct
22 testimonies of FPL witnesses Whitley and Koch, significantly less DSM
23 passed the economic screening in this year’s screening analyses, and

1 significantly less DSM emerged from the Achievable Potential analyses.
2 Therefore, to recommend a DSM Goal that is 2,476% of the prior goal is
3 definitely not reasonable. It is also not logical. Mr. Grevatt is clearly not
4 basing his recommended Goal on the results of either the economic screening
5 analyses or the Achievable Potential analyses.

6

7 **3) The rationale for Mr. Grevatt's recommended DSM Goal**

8

9 **Q. If Mr. Grevatt is not basing his recommended DSM Goal on either**
10 **economics or Achievable Potential considerations, what is the rationale**
11 **for his recommended Goal?**

12 A. His rationale is simply to point to other states and say, in effect, "someone
13 else is doing this so you should too!"

14 **Q. Does it make sense to set DSM Goals based solely on what might be**
15 **occurring in other states?**

16 A. Of course not. One of the fundamental principles of resource planning is that
17 every utility is different and, therefore, what may be the best decision for one
18 utility may not be the best decision for another utility. Two electric utilities,
19 even if they are in the same state, can differ significantly in regard to many
20 aspects including, but not necessarily limited to: electrical load patterns, types
21 of existing generating units, efficiencies of existing generating units, fuel mix,
22 and fuel delivery costs.

1 A corollary to this fundamental principle could be added, which points out
2 that this principle becomes even more meaningful when comparing utilities in
3 one state to utilities in another state. When comparing utilities in one state to
4 utilities in another state, all of the above-mentioned potential differences
5 between utilities still need to be considered or accounted for. But now other
6 potential differences may also come into play. These include, but are not
7 necessarily limited to: weather patterns, usage of energy sources other than
8 electricity, state policy goals, and regulatory and/or legislative mandates.

9
10 For these reasons, it is folly to recommend an action for a utility in one state
11 based solely on what a utility in another state may be doing. Using what may
12 be happening in another state as a basis for recommending what Florida
13 utilities, much less a specific Florida utility with its own individual
14 characteristics, should be mandated to do, is not only foolish, it is illogical.
15 Use of such a rationale for setting DSM Goals has no basis in resource
16 planning principles, ignores statutory requirements, and should be rejected by
17 this Commission.

1 **4) Whether Mr. Grevatt's recommended DSM Goal complies with the State of**
2 **Florida requirements for goals-setting**

3
4 **Q. Did the manner by which Mr. Grevatt arrived at his recommended DSM**
5 **Goal meet the requirements for DSM goal-setting in the State of Florida?**

6 A. No. By arbitrarily pointing to actions in other states, Mr. Grevatt is violating
7 two State of Florida requirements for DSM goals-setting. The first of these is
8 to set Goals based on each utility's resource planning process. The second is
9 to consider DSM cost-effectiveness.

10 **Q. Are DSM Goals in Florida required to be based on each utility's resource**
11 **planning process?**

12 A. Yes. The FPSC stated the following in its order at the close of the last DSM
13 Goals proceeding (Docket No. 20130199-EI): "*Rule 25-17.0021(3), F.A.C.,*
14 *requires that each utility's proposed Goals must be based upon the utility's*
15 *most recent planning process.*" (Order No. PSC-14-0696-FOF-EU, page 31.)

16 **Q. Did Mr. Grevatt base his recommended DSM Goal for FPL on FPL's**
17 **most recent planning process?**

18 A. No. This is shown in two ways. First, because his rationale for his
19 recommended Goal is (paraphrasing) 'utilities in other states do this,' he has
20 obviously ignored the resource planning process of FPL or of any other
21 Florida utility. Second, the fact that Mr. Grevatt recommended only a GWh
22 Goal, and then could not recommend a Summer MW or Winter MW Goal
23 after he came up with his recommended GWh Goal, shows he does not

1 understand electric utility resource planning at all. Therefore, he could not,
2 and did not, use FPL's most recent resource planning process.

3 **Q. Please explain.**

4 A. When boiled down to its fundamentals, resource planning by vertically
5 integrated utilities such as FPL seeks to accomplish two basic things. First,
6 utilities need to maintain system reliability. This is done by determining when
7 resources are needed and how much resource is needed. Second, the utility
8 then determines which resource option(s) are most economical to add to meet
9 that need.

10

11 The key point is that system reliability analyses must be completed first.
12 Regardless of whether one uses a reserve margin criterion or a loss-of-load
13 probability type reliability criterion, the focus of system reliability analyses is
14 on firm MW that can be generated or reduced to meet peak load. Therefore,
15 when considering DSM resources in system reliability analyses, the focus is
16 on MW reduction at peak hours, not on reductions that may occur at midnight,
17 9:00 a.m. on a mild Spring or Fall day, or on annual MWh reductions. Annual
18 MWh reduction capabilities of DSM options are only important later when
19 analyzing the economics of DSM resource options.

20

21 For these reasons, FPL's resource planning process first accounts for system
22 peak hour MW values in system reliability analyses. Then, when turning to
23 economic analyses of DSM options, FPL accounts for both MW and MWh

1 reduction capabilities of DSM initially in preliminary economic screening of
2 DSM measures, and later through system economic analyses of resource plans
3 with and without incremental DSM. (FPL witness Whitley’s direct testimony
4 describes how FPL utilized its resource planning process in the analyses that
5 led to FPL’s proposed DSM Goals.)

6

7 A key point is that the MWh value associated with the amount of DSM that is
8 economic for the system to add is simply an output of the planning process. It
9 is not a starting point for the planning process. By recommending only a GWh
10 Goal, and no Summer MW or Winter MW Goal, Mr. Grevatt has gone about
11 it completely backwards from a resource planning perspective. He is
12 recommending an energy-only Goal that does not address system reliability
13 and which, on its own, cannot even be meaningfully addressed in economic
14 analyses. This is because he started at the wrong point. Mr. Grevatt described
15 the problem he created for himself as follows:

16

17 *“I cannot recommend specific peak demand savings targets because I arrived*
18 *at these energy savings targets from a “top down” perspective...”* (Page 43,
19 lines 20 and 21)

20

21 From a resource planning perspective, his description of a “top down”
22 approach really means that he did no analysis at all. He simply jumped over
23 the entire planning process to what he wants his answer to be without

1 bothering to go through all of the detailed and necessary analyses that FPL
2 did.

3

4 For these reasons, Mr. Grevatt's recommendation is definitely not based on
5 FPL's most recent resource planning process (and is not based on any Florida
6 utility resource planning process that I know of).

7 **Q. Did FPL use its most recent planning process in developing its proposed**
8 **DSM Goals?**

9 A. Yes.

10 **Q. Are DSM Goals in Florida also required to consider the cost-effectiveness**
11 **of DSM?**

12 A. Yes. The FPSC stated in its order at the close of the last DSM Goals docket:
13 *"During the 2009 goals proceeding this issue was vetted by many of the same*
14 *parties in this proceeding including SACE, FIPUG, and the FEECA utilities.*
15 *As part of that proceeding we issued Order No. PSC-09-0855-FOF-EG, p.15,*
16 *which stated the following: "...consideration of both the RIM and TRC tests is*
17 *necessary to fulfill the requirements of Section 366.82(3)(b), F.S. Both the*
18 *RIM and TRC Tests address costs and benefits beyond those associated solely*
19 *with the program participant. By having RIM and TRC results, we can*
20 *evaluate the most cost-effective way to balance the goals of deferring capacity*
21 *and capturing energy savings while minimizing rate impacts to all*
22 *customers."* (Order No. PSC-14-0696-FOF-EU, page 12.)

1 Thus, the State of Florida requires that the cost-effectiveness of DSM be
2 considered in the setting of DSM Goals. (This statement also makes it clear
3 that the FPSC believes it is important to minimize electric rate impacts. I will
4 return to that point later in this testimony.)

5 **Q. Did Mr. Grevatt consider cost-effectiveness in developing his**
6 **recommended Goal?**

7 A. No. His “development” effort consisted of simply pointing to other states and
8 recommending that Florida should do what they are/may be doing. Therefore,
9 he clearly did not consider what the cost-effectiveness of such an action would
10 be for FPL’s specific system.

11 **Q. Did FPL consider cost-effectiveness in developing its proposed DSM**
12 **Goals?**

13 A. Yes.

14

15 **5) The work experience, and inexperience, of the two SACE witnesses**

16

17 **Q. What type of work experience do the two SACE witnesses have?**

18 A. From a review of the work experience described in their respective
19 testimonies, it appears that Mr. Grevatt’s and Mr. Bradley-Wright’s work
20 experience has been primarily, if not exclusively, in what I would call the
21 energy efficiency “industry.” Mr. Grevatt acknowledges this and even uses the
22 same term in the following statement from his testimony:

1 *“I have worked in the energy efficiency industry since 1991....”* (Page 2, line
2 2)

3 **Q. Do you have an opinion regarding how their work experience may have**
4 **affected their testimony?**

5 A. Yes. I believe that because their work experience has been restricted to the
6 energy efficiency industry, their perspectives regarding utility systems, how
7 the systems operate, and how these systems need to be planned, is actually
8 quite narrow.

9
10 I say this based on my own work experience. My first 12 years at FPL was
11 spent designing, implementing, and then analyzing DSM options. In the latter
12 portions of this period, I realized how much I did not know, but needed to
13 know, regarding how a utility system of generating units operates in order to
14 meaningful analyze how DSM options will affect that system. In other words,
15 I realized how narrow my DSM-only perspective really was regarding
16 information I needed to know in order to meaningfully evaluate DSM options.
17 Consequently, I spent a lot of time with FPL’s resource planners and
18 eventually joined that group.

19
20 Therefore, I believe that anyone whose work experience has been similarly
21 narrow by working solely in the area of energy efficiency has, almost by
22 definition, not been fully exposed to a variety of utility system issues and
23 knowledge that is necessary to truly understand the impact of DSM options on

1 a utility system. This is even more meaningful if that energy efficiency work
2 has been done outside of an electric utility. Thus, I believe the SACE
3 witnesses' narrow perspective has led to problems in their testimonies in at
4 least two ways.

5 **Q. Please explain.**

6 A. First, the energy efficiency industry, as with many other industries (such as,
7 for example, the aluminum siding industry), seek to maximize both their
8 influence and market share. In so doing, they naturally tend to highlight what
9 they view as the strong points of their products and downplay (or even not
10 discuss) the weak points of their products. An element of that clearly appears
11 in these witnesses' testimonies by their decision not to discuss the declining
12 cost-effectiveness of utility DSM.

13

14 In addition, industries often develop their own analyses that seek to show only
15 the strong points of their products and to ignore their products' weaker points.
16 These analyses may be performed by what is essentially a closed shop of like-
17 minded people in that industry. Such analyses may consider few or no
18 contrarian points of view. Individuals in the industry then may end up
19 referring only to these analyses from other like-minded individuals or
20 organizations in attempting to justify why their product should be selected.
21 The tendency is to attempt to portray these analyses as definitive when in
22 reality the analyses consider only one point of view: a pro-product view.

1 In looking at the documents attached to these witnesses' testimonies as
2 exhibits, one sees that the documents are largely from others in the energy
3 efficiency industry. In other words, those references are one-sided references.
4 Although this is entirely understandable in the role these witnesses have been
5 asked to fill (proponents of ever increasing levels of utility energy efficiency),
6 it is important to take a step back and consider the source and motivation of
7 their reference materials.

8
9 Second, having worked primarily, or exclusively, in the energy efficiency
10 industry outside of an electric utility, these witnesses have not worked as
11 electric utility resource planners or worked side-by-side with utility resource
12 planners. Thus, they have little or no actual experience in having to perform
13 system reliability analyses for a utility or in performing evaluations of supply
14 options.

15
16 These two characteristics of the SACE witnesses' work history, experience in
17 working only in the energy efficiency industry combined with no real
18 experience in actual utility resource planning in which both supply and DSM
19 options are analyzed, has resulted in a number of problems in their
20 testimonies. These show up most clearly in numerous inaccurate and/or
21 misleading statements they make in their testimonies. I will address a few of
22 these problem statements next.

1 **6) Inaccurate statements made regarding the RIM cost-effectiveness test**

2

3 **Q. What cost-effectiveness screening tests are recognized and used in the**
4 **State of Florida?**

5 A. The State of Florida recognizes and uses three cost-effectiveness screening
6 tests for DSM:

- 7 • The Rate Impact Measure (RIM) test;
- 8 • The Total Resource Cost (TRC) test; and,
- 9 • The Participant Test.

10

11 These three tests have been used in the State of Florida for decades.
12 Furthermore, in regard to DSM goals-setting, the FPSC has made the following
13 statement:

14

15 *“...a combination of the Participants test, the RIM test, and the TRC test shall*
16 *all be used to set goals.”* (FPSC Order No. PSC-14-0696-FOF-EU)

17 **Q. Does Mr. Grevatt have a problem with any of the cost-effectiveness tests**
18 **mandated for use by the State of Florida?**

19 A. Yes. He does not believe the RIM test should be used in DSM analyses for the
20 following reason:

1 “...the RIM test is not actually a test of cost-effectiveness...” (Page 4, lines 7
2 & 8)²

3 **Q. What is your reaction to that statement?**

4 A. I have three reactions. First, and perhaps most importantly, it does not matter
5 what Mr. Grevatt’s personal opinion is of the RIM test. The State of Florida,
6 which is the third most populous state in the country, recognizes the RIM test
7 as a valid cost-effectiveness test for DSM analyses and requires the use of the
8 RIM test, along with the other two tests listed above, in DSM goals-setting in
9 Florida.

10

11 Second, in most if not all of the prior Florida DSM goals-setting dockets,
12 intervenors (including SACE) have argued that the TRC test, not the RIM test,
13 should be the primary test used to set Goals. But this is the first time someone
14 has made a claim that the RIM test is not a cost-effectiveness test. As such,
15 this claim can be viewed as an extreme one. This new and extreme claim may
16 be the product of recognition of the declining cost-effectiveness of utility
17 DSM by the energy efficiency industry and their attempt to find a way to
18 combat or ignore this reality. Or it may simply be due to misguided thinking
19 by Mr. Grevatt.

20

21 Third, Mr. Grevatt’s statement is simply wrong from a resource planning
22 perspective. From this perspective, a cost-effectiveness test (other than the

² Eight (8) inaccurate and/or misleading statements made by Mr. Grevatt that I discuss in my rebuttal testimony, beginning with this one, are compiled in Exhibit SRS-6.

1 Participants test, which is a specialty test solely from a potential participant's
2 perspective) for evaluating electric utility resource options needs to account
3 for all of the resource option's system cost impacts and avoided system cost
4 impacts that will be reflected in the utility's electric rates if that resource
5 option is selected. The RIM test does exactly that. It accounts for all system
6 costs that are projected to be avoided by DSM (*i.e.*, the "benefits" of DSM) as
7 well as accounts for all system costs that are incurred in implementing DSM,
8 including incentives that utilities pay to participating customers. In addition, it
9 accounts for unrecovered revenue requirements that would naturally occur
10 from DSM's reduction of kWh and/or kW. All of these system impacts will be
11 reflected in electric rates if the DSM option is selected.

12
13 Therefore, from a resource planning perspective of resource options, the RIM
14 test is an excellent cost-effectiveness analysis tool. In fact, for purposes of
15 planning a utility system, the RIM test is far superior to the TRC test because
16 the TRC test does not account for two important cost impacts. One of the
17 costs that is omitted in the TRC test is pointed out in in Mr. Bradley-Wright's
18 testimony:

19
20 *"...analysis with the TRC is not impacted by levels of utility incentives*
21 *offered..."* (Page 15, lines 13 and 14)

1 In addition to not accounting for the costs of utility incentives, the TRC test
2 also does not account for the unrecovered revenue requirements triggered by
3 DSM. Because of these reasons, I do not view the TRC test as a meaningful
4 test with which to plan a utility system. A meaningful test has to account for
5 all costs and cost impacts incurred and avoided that will be reflected in a
6 utility's electric rates.

7

8 A simple analogy using supply options may be helpful. If one were evaluating
9 a new combustion turbine versus a new combined cycle unit, one would never
10 consider omitting an important cost of one option (for example, the cost of the
11 heat recovery steam generators in the combined cycle unit) in the evaluation.
12 Yet the omission of important costs is exactly what occurs when using the
13 TRC test to evaluate a DSM option.

14

15 For this reason, and from a resource planning perspective, I view the RIM test,
16 in combination with the Participant test, as the only meaningful cost-
17 effectiveness tests to use when attempting to decide if a utility should offer a
18 DSM option. However, unlike Mr. Grevatt, I readily acknowledge that the
19 RIM test, the TRC test, and the Participant test are all cost-effectiveness tests
20 that the Commission recognizes must be performed when establishing DSM
21 goals in Florida.

1 **Q. Mr. Grevatt made a few other statements about the RIM test. Would you**
2 **please address those?**

3 A. Yes. The first of these statements regarding the RIM test that I will address is
4 the following:

5
6 *“It is only a test of whether rates will go up...”* (Page 7, lines 7 and 8,
7 emphasis added)

8
9 The statement is incorrect. The RIM test is used to indicate the relative
10 impacts on electric rates that a DSM option will have versus a competing
11 supply option. Both options may end up raising rates, both options may end
12 up lowering rates, or one option may raise rates while the other option lowers
13 rates. That is immaterial in the test. The objective of the RIM test is to
14 determine which option will have a better impact on electric rates for all
15 customers. Therefore, the RIM test does not have a built-in “rule” that if an
16 individual option raises electric rates it automatically fails the test. Instead, the
17 RIM test determines which of two competing options is better for all
18 customers from an electric rate perspective.

19 **Q. Does Mr. Grevatt’s lack of understanding regarding the objective of the**
20 **RIM test lead him to make other inaccurate statements?**

21 A. Yes. Consider the following statement of his:

1 *“Put simply, because the RIM test is a test of whether rates may go up, any*
2 *supply-side investment that would raise rates, all other things equal, would*
3 *fail the RIM test.”* (Page 10, line 24, through Page 11, line 1)

4

5 As just discussed above, the objective of the RIM test is to identify which of
6 two competing options, supply or DSM, will have a better impact on electric
7 rates for all customers. Both options may end up raising electric rates, but in
8 this case the one that raises rates the least is the economic choice for all
9 customers. Therefore, this statement of Mr. Grevatt’s is inaccurate.

10 **Q. Did Mr. Grevatt have anything else to say about the RIM test and supply**
11 **options?**

12 A. Yes. The following two additional statements regarding the RIM cost-
13 effectiveness test and supply options appear in his testimony:

14

15 *“...the RIM test is not applied to supply-side investments; if it were, many*
16 *supply-side investments, such as new power plants...would be routinely*
17 *rejected.”* (Page 4, lines 17 through 20)

18

19 and on page 10, lines 20 and 21, the following Q & A appears:

20

21 *“Q. Is the RIM test typically applied to supply-side investments? A. No, not in*
22 *my experience.”* (emphasis added)

1 **Q. Do you agree with these statements?**

2 A. No. The problem with the first statement has already been discussed. Mr.
3 Grevatt mistakenly believes that any resource option that will raise electric
4 rates has to automatically fail the test. As explained above, that is not
5 accurate. The objective of the RIM test is to identify which of two competing
6 options, supply or DSM, will have a better impact on electric rates for all
7 customers.

8

9 Regarding his second statement, I highlighted the portion with which he
10 attempts to qualify his claim with the phrase: “...*not in my experience*”. It is
11 exactly his lack of experience in resource planning, particularly in economic
12 evaluation of supply options, that has led him astray.

13

14 First, it should be obvious to anyone who has actually used the RIM test that
15 the test typically compares a DSM option to a competing supply option.
16 Therefore, a supply option is analyzed in every such application of the RIM
17 test.

18

19 Second, when a utility compares two competing supply options, it accounts
20 for all costs of acquiring the option and the fixed costs associated with
21 operating and maintaining the supply options. It then accounts for all of the
22 variable costs of operating the option and accounts for all of the utility system
23 costs that are projected to be avoided by the presence and operation of the

1 option (*e.g.*, the benefits of the option). This is done for each competing
2 supply option.

3

4 At this point, it should be clear that the economic approach used when
5 applying the RIM test to evaluate a DSM option, accounting for all of the
6 costs of acquiring the option and operating it, then accounting of all
7 corresponding utility system costs that are avoided by the option, is an
8 identical approach to how supply options are evaluated.

9 **Q. In regard to the RIM test evaluation approach in comparison to supply**
10 **side evaluation, what about the fact that the RIM test accounts for**
11 **unrecovered revenue requirements?**

12 A. The RIM test does account for unrecovered revenue requirements that
13 naturally occur with DSM options. These must be accounted for in order to
14 determine the relative impact on electric rates between the competing DSM
15 and supply options. This is because DSM options lower the amount of sales
16 over which revenue requirements or costs are recovered.

17

18 In regard to supply option evaluations, because the number of sales over
19 which costs are recovered does not change regardless of which supply option
20 is chosen, there are zero unrecovered revenue requirements. One could show a
21 calculation in which one accounts for unrecovered revenue requirements in
22 supply option analyses, but what would be the point if that value is always
23 zero?

1 From a resource planning perspective, I see the RIM test evaluation of DSM
2 exactly matching the evaluation approach taken when evaluating supply
3 options. All utility system costs and avoided system costs are fully accounted
4 for in both evaluations. Furthermore, both evaluations also account for
5 unrecovered revenue requirements (which are always zero for supply options).
6 Therefore, the approach taken when evaluating supply options is identical to
7 the RIM test evaluation approach.

8 **Q. The TRC is favored by both SACE witnesses. Is the TRC test approach**
9 **also identical to the approach used when analyzing supply options?**

10 A. No. As previously discussed, the TRC test does not account for all costs
11 because it excludes the cost of incentives. The TRC test also does not account
12 for unrecovered revenue requirements. Therefore, the TRC test approach is
13 definitely not an equivalent approach to how supply options are evaluated.

14 **Q. The RIM test fully accounts for all costs incurred and avoided that will be**
15 **reflected in a utility's electric rates. However, it also indicates the relative**
16 **impact a resource option will have on electric rates. Do supply option**
17 **evaluations also indicate relative impacts on electric rates?**

18 A. Yes. The evaluation approach for supply options not only determines which
19 supply option has the lowest cost, it simultaneously determines which supply
20 option has the most beneficial impact on electric rates. This can be seen by
21 recalling what an electric rate is. Simply stated, an electric rate is a fraction in
22 which the numerator (costs) is divided by the denominator (numbers of sales
23 units typically expressed in kWh).

1 Because DSM options result in changes to both costs and kWh sales, both of
2 these changes have to be accounted for. Looking only at costs is not enough
3 because it tells you nothing about the full impact of DSM on electric rates.
4 One has to account for the reduction in kWh sales. However, with supply
5 options, the denominator (kWh) does not change. As a result, the supply
6 option with the lowest cost will also result in the lowest electric rate.

7
8 For example, assume you have two supply options. One has a net system cost
9 of 1, and the other has a net system cost of 2. Now look at these options and
10 their costs from an electric rate perspective in which the costs are recovered
11 over total sales of 6. In terms of fractions, $1/6$ is a lower value than $2/6$. In
12 terms of an electric rate, a cost of 1 divided by 6 units of sales is a lower
13 electric rate than a cost of 2 divided by the same 6 units of sales.

14
15 In summary, the RIM test evaluation approach for DSM is identical to the
16 approach taken when evaluating supply options. So, although the RIM “name”
17 is not commonly applied to supply option evaluations, it could be.

18 **Q. What is the next inaccurate statement Mr. Grevatt made about the RIM**
19 **test that you will discuss?**

20 A. On page 8, lines 16 through 18, Mr. Grevatt made the following statement:

21
22 *“...the RIM test is really a test of impact on those customers who choose not*
23 *to participate in an efficiency program.”* (emphasis added)

1 This statement is inaccurate in at least two ways. First, the RIM screening test
2 is designed to see which of the two competing options, DSM or supply, have a
3 better impact on electric rates. Electric rates affect all customers, not just
4 “those customers who choose not to participate in an efficiency program.”
5 Second, customers may simply not be eligible for a particular DSM option
6 that will raise rates for all customers. In that case, “choosing not to
7 participate” is not a factor.

8
9 One example of ineligibility is that all residential customers can see an
10 increase in electric rates from RIM-failing DSM programs they are ineligible
11 for if those programs are designed solely for commercial/industrial customers.
12 Similarly, commercial/industrial customers can see an increase in electric
13 rates from RIM-failing DSM programs they are ineligible for if those
14 programs are designed solely for residential customers.

15
16 Another example of program ineligibility comes from Mr. Bradley-Wright’s
17 testimony. The main point of his testimony essentially says that because,
18 based on his claim that approximately 37% of FPL’s residential customers fall
19 at or below 200% of the Federal Poverty Level, FPL should design DSM
20 programs specifically for those customers. From his suggested program
21 design, the remaining 63% of FPL’s residential customers would be ineligible
22 for such programs. If those DSM offerings failed the RIM test, then these
23 remaining 63% of FPL’s residential customers, plus 100% of FPL’s

1 commercial/industrial customers who would also be ineligible for such
2 programs, would be negatively impacted by higher electric rates due to these
3 DSM offerings. I also note that Mr. Bradley-Wright's main idea is to offer the
4 37% of residential customers new, energy-efficient HVAC, refrigeration, and
5 water heater equipment at no cost to those customers. All other FPL
6 customers would have to pay for 100% of the costs for those appliances and
7 equipment. I doubt that such an offering would have a beneficial impact on
8 electric rates. FPL witness Whitley examines whether Mr. Bradley-Wright's
9 proposed approach would pass either the RIM or TRC tests in his rebuttal
10 testimony.

11

12 **7) An inaccurate statement made regarding supply options**

13

14 **Q. Did Mr. Grevatt make any other inaccurate statement about supply side**
15 **options?**

16 **A.** Yes. On page 11, lines 19 through 21, he makes the following statement:

17

18 *"By definition, the need for supply-side investments is driven solely by new*
19 *customers who are adding load to the system and/or existing customers whose*
20 *demands are growing."* (emphasis added)

21

22 I do not know in what dictionary Mr. Grevatt found this "definition," but the
23 statement is inaccurate. I agree that supply options can be added to meet

1 growth in load. However, supply options are also added for a variety of non-
2 load-growth reasons, including, but not necessarily limited to: (i) end of
3 contract life for a power purchase agreement, (ii) early termination of a now
4 uneconomic power purchase agreement, (iii) retirement of a now uneconomic
5 existing generating unit, (iv) discontinuation of formerly cost-effective DSM
6 offerings, and (v) enhanced system economics.

7
8 These non-load-growth reasons for adding new resources are fully understood
9 by even first-year resource planners. These reasons are also understood by
10 anyone who has any experience in performing or even reading the results of
11 system reliability analyses. Mr. Grevatt's inexperience in these areas has again
12 caused him to make an inaccurate statement.

13
14 **8) Another inaccurate and/or misleading statement**

15
16 **Q. Do you disagree with any other statements by the two SACE witnesses in**
17 **their testimonies?**

18 A. Yes. There actually are numerous statements they made in which they use the
19 term "bills" in either an inaccurate or a misleading way. The following
20 statement from Mr. Grevatt is a good example of these statements and the
21 context in which the term is used:

1 *“The utilities’ proposed savings goals are unreasonably low...saddling their*
2 *customers with higher electricity bills as a result.”* (Page 3, Lines 22 through
3 25)

4
5 If Mr. Grevatt is stating that higher levels of DSM will result in all utility
6 customers receiving lower monthly bills, that statement could be true only if
7 all of the higher levels of DSM truly pass the RIM test. If, on the other hand,
8 Mr. Grevatt is referring to higher levels of DSM that fail the RIM test, that
9 statement would be inaccurate. High levels of DSM that fail the RIM test
10 results in higher electric rates for all customers, higher monthly bills for non-
11 participants in DSM, and perhaps higher bills even for customers who may
12 participate in a DSM program but who are ineligible for other DSM options
13 that fail the RIM test.

14
15 However, if Mr. Grevatt is referring to utility system costs when he uses the
16 term “bills,” he is using the term “bills” in a misleading way. FPL has long
17 acknowledged that if high levels of DSM that do not pass the RIM test were to
18 be mandated in Florida, total utility cumulative present value of revenue
19 requirements (CPVRR) could go down more than would be the case with
20 DSM programs that pass the RIM test. However, electricity rates for all
21 customers would increase as a result.

1 The term “bill” is commonly understood to mean the monthly bill a customer
2 receives from the utility for his/her electricity usage. It is not commonly used
3 to mean total CPVRR costs for the utility as a whole. So, if the SACE
4 witnesses are using the term “bills” in this atypical manner, it is presumably
5 being done so in order to create the misleading, “sound bite” impression that
6 all customers will receive lower bills if non-RIM-passing DSM were to be
7 implemented. This is obviously not true for all customers. Individual
8 customers who are participants in this type of DSM may see decreases in their
9 individual bills, but non-participants in this type of DSM will see increases in
10 their individual bills because electric rates for all customers will have been
11 increased.

12
13 Over the years, it has been my impression that this misleading use of the term
14 “bill” has, unfortunately, become a staple in the playbook of the energy
15 efficiency industry. Facing declining cost-effectiveness of utility DSM, their
16 industry may believe that misleading statements such as this should be used to
17 disguise the weaker points of their product. However, in regulatory arenas
18 such as this docket, I believe that the use of misleading statements, such as
19 this one, simply undermines the credibility of Mr. Grevatt’s testimony.

1 **9) An important contradiction in Mr. Grevatt's testimony**

2

3 **Q. Did Mr. Grevatt mention a document titled “National Standard Practice**
4 **Manual for Assessing Cost-Effectiveness of Energy Efficiency Resources”**
5 **in his testimony?**

6 A. Yes. After mentioning that he works for a firm by the name of Energy Futures
7 Group (EFG), he stated:

8

9 *“...EFG has authored or co-authored...a national best practices manual for*
10 *cost-effectiveness analysis of efficiency resources.”* (Page 1, lines 17 thru 24).

11

12 He refers to this document again a few pages later:

13

14 *“...as discussed in the National Standard Practice Manual for Assessing*
15 *Cost-Effectiveness of Energy Efficiency Resources, regulators should consider*
16 *trade-offs between bill savings, participation levels, and rate impacts.”* (Page
17 4, line 24 through Page 5, line 2)

18 **Q. What is your reaction to this last statement?**

19 A. I have a couple of reactions. First, this is yet another instance in which Mr.
20 Grevatt has used the term “bill” in a misleading way when he appears to be
21 referring to total utility cost. Second, it strikes me as illogical that DSM
22 “participation levels” on its own would have any value. Participation levels in
23 truly cost-effective DSM offerings that bring value to all of a utility's

1 customers, such as RIM-passing DSM, could be a meaningful metric.
2 However, a metric of participation levels in non-cost-effective DSM offerings
3 that do not bring value to all of a utility's customers (due to higher electric
4 rates from RIM-failing DSM) is less than meaningless, it is destructive. Third,
5 I am in full agreement with the portion of the statement that states the rate
6 impacts should be considered by regulators.

7 **Q. Returning to this document, have you reviewed it?**

8 A. Yes, I have reviewed the document.

9 **Q. What are your thoughts about the document?**

10 A. Three main thoughts came to mind. First, as the title of the document,
11 National Standard Practice Manual for Assessing Cost-Effectiveness of
12 Energy Efficiency Resources indicates, this is not a broad scope document
13 designed to examine how both supply and DSM resources should be
14 evaluated. The document's focus is almost entirely on utility DSM options.

15
16 Second, the document appears to me to be essentially a strategy or sales "how
17 to" guide for the energy efficiency industry to use to attempt to convince
18 regulators and/or electric utilities to choose, and/or show them how to justify,
19 more utility energy efficiency to meet particular policy goals, including policy
20 goals outside of the electric utility area. This is not surprising given the fact
21 that many of the principal authors of the document are energy efficiency
22 industry employees. As a result, the document is predictably one-sided in
23 favor of utility energy efficiency programs. For example, the RIM cost-

1 effectiveness test is only discussed at the end of the document in appendices,
2 and then only in a dismissive way.

3

4 Third, the foundation of the document appears to be a set of what is labeled as
5 seven “Resource Value Framework Steps.” I found these seven “Framework
6 Steps” to be most interesting, particularly in regard to this current docket.

7 **Q. Please explain.**

8 A. In the document’s Executive Summary, Figure ES-1 lists the seven
9 Framework Steps as follows:

- 10 • *STEP 1 Identify and articulate the jurisdiction’s applicable policy*
11 *goals*
- 12 • *STEP 2 Include all the utility system costs and benefits*
- 13 • *STEP 3 Decide which non-utility impacts to include in the test, based*
14 *on applicable policy goals*
- 15 • *STEP 4 Ensure that the test is symmetrical in considering both costs*
16 *and benefits*
- 17 • *STEP 5 Ensure the analysis is forward looking and incremental*
- 18 • *STEP 6 Develop methodologies to account for all relevant impacts,*
19 *including hard to quantify impacts*
- 20 • *STEP 7 Ensure transparency in presenting the inputs and results of the*
21 *cost-effectiveness test.*

1 I interpret Step 1 to be the fundamental “guiding principle” step of the
2 document because it indicates the importance of first understanding what a
3 jurisdiction’s policy goals are in order to assist the jurisdiction in meeting
4 those policy goals. (In fact, the May 18, 2017 Media Release announcing the
5 document referred to this first step as the “foundational principle”.)³

6

7 In regard to this docket, the FPSC is the relevant jurisdiction. Earlier in this
8 rebuttal testimony, I quoted two passages that I believe summarize key
9 components of what the FPSC has stated are its policy and requirements for
10 setting DSM Goals. In the interest of clarity, those statements are repeated
11 here. The first of these statements by the FPSC is:

12

13 *‘...consideration of both the RIM and TRC tests is necessary to fulfill the*
14 *requirements of Section 366.82(3)(b), F.S. Both the RIM and TRC Tests*
15 *address costs and benefits beyond those associated solely with the program*
16 *participant. By having RIM and TRC results, we can evaluate the most cost-*
17 *effective way to balance the goals of deferring capacity and capturing energy*
18 *savings while minimizing rate impacts to all customers.’”*

19 (Order No. PSC-14-0696-FOF-EU, page 12)

³ Available at: <https://nationalefficiencyscreening.org/wp-content/uploads/2017/05/NSPM-media-release-final-5-17-17.pdf> (last visited July 11, 2019).

1 The second of these statements by the FPSC is:

2

3 *“Rule 25-17.0021(3), F.A.C., requires that each utility’s proposed Goals must*
4 *be based upon the utility’s most recent planning process.”* (Order No. PSC-
5 14-0696-FOF-EU, page 31)

6

7 Through these statements, the FPSC has articulated that, in setting DSM
8 Goals, its policy and requirements include:

- 9 i) Utilize both the RIM and TRC costs in order to balance capacity and
10 energy savings while minimizing rate impacts to all customers; and,
11 ii) Base DSM Goals on each utility’s resource planning process.

12

13 What is interesting to me is that although Mr. Grevatt is clearly familiar with
14 this document, and therefore familiar with its first step “guiding principle,” he
15 has chosen to violate or ignore the document’s “guiding principle.”

16 **Q. Please elaborate.**

17 A. This is a DSM goals-setting proceeding in the State of Florida. The relevant
18 “jurisdiction,” the FPSC, has clearly stated (through their statements listed
19 above) prior to the beginning of this docket that its policy and requirements in
20 regard to DSM goals-setting include use of both the RIM and TRC tests to
21 assist in balancing costs savings with rate minimization and that DSM Goals
22 must be based on each utility’s most recent resource planning process.

1 Therefore, the information that is sought in the document’s STEP 1 “guiding
2 principle” (“*Identify and articulate the jurisdiction’s applicable policy*
3 *goals*”) has already been identified and articulated by the FPSC. So the only
4 relevant question in regard to this docket is whether Mr. Grevatt chose to
5 follow the “guiding principle” and incorporate the FPSC’s articulated policy
6 goals when he developed his recommended DSM Goal.

7 **Q. Did Mr. Grevatt follow this “guiding principle” in developing his**
8 **recommended DSM Goal?**

9 A. No. The fact that he clearly violated or ignored the “guiding principle” step is
10 evidenced by the following:

- 11 • Rather than using the RIM test to help craft his recommended Goal, he
12 tells the FPSC that they should completely abandon this cost-
13 effectiveness test.
- 14 • Rather than using the policy of considering how to best balance cost
15 savings and rate minimization, he ignores rate minimization concerns
16 completely.
- 17 • Rather than base DSM Goals on DSM cost-effectiveness, he performs
18 no cost-effectiveness analysis of his recommended GWh Goal.
- 19 • And, rather than ensuring that his recommended DSM Goal is based
20 on each individual utility’s most recent resource planning process, he
21 ignores all utility-specific (and Florida-specific) considerations and
22 simply recommends that Florida set Goals on a one-size-fits-all GWh
23 metric from other states.

1 **Q. What conclusion do you draw from Mr. Grevatt’s abandonment of the**
2 **first “guiding principle” in the document he refers to in his testimony?**

3 A. The conclusion I draw is that the first “guiding principle” step in the
4 document - to first understand the policy goals of a jurisdiction and then help
5 it to meet those goals – has no real meaning to the energy efficiency industry,
6 or at least to Mr. Grevatt. Apparently, policy goals can be thrown out of the
7 window by Mr. Grevatt if they do not serve his purpose or he does not agree
8 with them.

9
10 In such a case, Mr. Grevatt believes he should tell the jurisdiction, in this case
11 the FPSC, that he knows better than they do what the policy goals for the State
12 of Florida should be. And Mr. Grevatt’s testimony can accurately be
13 characterized as having done exactly that.

14

15 III. CONCLUSION

16

17 **Q. Would you please summarize your review of the SACE witnesses’**
18 **testimony?**

19 A. Yes. I will do so in bullet point format.

20 • SACE’s witnesses do not even attempt to contest the fact that the cost-
21 effectiveness of utility DSM has been declining for some time and that
22 this trend is continuing. Nor do they contest the fact that due to FPL’s
23 continuing efforts to improve the efficiency of its generating system,

- 1 the cost-effectiveness of utility DSM is declining even more for FPL's
2 system. Because they cannot dispute these facts, discussed in my direct
3 testimony, Mr. Grevatt attempts to distract attention away from
4 declining cost-effectiveness in three ways: (i) by disparaging the RIM
5 cost-effectiveness test, (ii) by alleging problems in the determination
6 of DSM Achievable Potential, and (iii) by using the first two
7 distractions as a premise to completely abandon cost-effectiveness
8 considerations in recommending a DSM Goal.
- 9 • Despite the fact of steadily declining cost-effectiveness of utility DSM,
10 particularly for FPL's system, Mr. Grevatt's recommends a GWh Goal
11 that is 2,476% of the current FPL GWh Goal. This recommendation is
12 even more extreme than the recommendation SACE made, and which
13 the FPSC rejected, in the last DSM Goals docket. In addition to being
14 extreme, the current recommendation by SACE's witness is illogical.
 - 15 • The approach Mr. Grevatt used to "develop" his recommended GWh
16 Goal, simply pointing to other states and saying in effect that "they are
17 doing it so you should too", is not based on any FPL-specific (or even
18 Florida-specific) analyses. Therefore, his recommended DSM Goal is
19 unsupported and indefensible.
 - 20 • In "developing" his recommended Goal, Mr. Grevatt clearly violated
21 or ignored Florida requirements for developing DSM Goals. He did
22 not (i) base his recommendation using FPL's most recent planning
23 process, or (ii) take DSM cost-effectiveness into account.

- 1 • The two SACE witnesses have experience in the energy efficiency
2 industry, but have no experience in actually planning a utility system,
3 performing system reliability analyses, or analyzing supply options. As
4 a consequence of their lack of experience in these areas that are
5 important in a resource goals-setting docket, they made numerous
6 inaccurate and/or misleading statements which significantly undermine
7 their credibility.
- 8 • Finally, despite making several references to a document (largely
9 developed by the energy efficiency industry) which purports to give
10 guidance in how to provide support for regulators (such as the FPSC)
11 in meeting their policy guidelines, Mr. Grevatt chose to violate or
12 ignore the “guiding principle” of the very document he refers to.
13 Although the FPSC has clearly articulated what its policy goals and
14 requirements are in regard to DSM goals-setting, Mr. Grevatt chose to
15 ignore those policy goals and requirements. He then, in effect, tells the
16 FPSC that he knows better than they do what is best for Florida.

17 **Q. Based on your review of the SACE witnesses’ testimonies, do you have**
18 **any final thoughts as they pertain to DSM goals-setting in this docket?**

19 A. Yes. The objective of this proceeding is to set DSM Goals for FPL and the
20 other Florida utilities, and the FPSC will set those goals. Setting aside the
21 topic of potential goals specifically for low-income customers, the FPSC has
22 been presented with two distinctly different sets of goals for FPL that have
23 been proposed/recommended separately by the SACE witnesses and by FPL.

1 The SACE witnesses recommend only one DSM Goal for all of FPL's
2 customers, a GWh goal. In regard to goals for Summer MW and Winter MW,
3 Mr. Grevatt said he could not recommend such goals. The reason for that is
4 obvious from looking at how he "developed" his GWh goal. He did no
5 analyses that would have required him to actually evaluate both the MW and
6 MWh impacts of DSM measures on FPL's specific system. Instead, he simply
7 pointed outside of Florida and, in effect, said "do the same thing they are
8 doing" for a GWh value. But at this point, he is stuck and cannot recommend
9 any meaningful DSM MW goal based on Florida utility-specific information.

10

11 Besides resulting in a recommendation that is completely unsupported by any
12 analysis, this "approach" to developing goals violates several Florida
13 requirements as explained above in my testimony. Furthermore, his
14 recommended GWh goal of 2,467% of the current GWh goal for FPL set in
15 the last DSM Goals docket is clearly illogical given the declining cost-
16 effectiveness of DSM.

17

18 In comparison, FPL has presented the FPSC with a full set of proposed goals
19 for Summer MW, Winter MW, and annual GWh for both residential and
20 commercial/industrial customers as required. FPL has detailed the steps it
21 took in deriving its proposed goals, and those steps used FPL's most recent
22 resource planning process as required. Through rigorous analyses, FPL also

1 fully considered the cost-effectiveness of utility DSM given current forecasts
2 and assumptions as required.

3

4 The cost-effectiveness of utility DSM has been steadily declining for some
5 time, and this trend continues. The DSM Achievable Potential levels that
6 resulted from FPL's analyses clearly reflect this. As a result, FPL is proposing
7 lower DSM Goals this year compared to the goals set in the last DSM Goals
8 docket. Lower goals levels at this time are fully supported by FPL's analyses
9 and are, therefore, logical. In addition, lower DSM Goals are needed to ensure
10 that incremental DSM expenditures are truly cost-effective for all of FPL's
11 customers.

12

13 In closing, the choice between the two sets of DSM Goals
14 proposed/recommended for FPL in this docket by SACE and by FPL could
15 not be clearer.

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

17 A. Yes.

1 CHAIRMAN GRAHAM: Dr. Sim, they almost weren't
2 going to pay you for your rebuttal.

3 OPC?

4 MS. FALL-FRY: No questions.

5 CHAIRMAN GRAHAM: Ms. Wynn?

6 MS. WYNN: No questions.

7 CHAIRMAN GRAHAM: MR. Moyle?

8 MR. MOYLE: No questions.

9 MS. CORBARI: Hopefully just one.

10 EXAMINATION

11 BY MS. CORBARI:

12 Q Good afternoon, Dr. Sim.

13 A Good afternoon.

14 Q I believe -- were you here for Mr. Koch's
15 rebuttal?

16 A I was here for at least part of it, yes.

17 Q Did you -- did you hear Mr. Koch's response to
18 Commissioner Polmann's question whether achievement of
19 DSM goals over 10 years can delay the need for
20 generation capacity?

21 A Yes.

22 Q Do you agree with his assessment that
23 achieving DSM goals can delay or defer -- defer or avoid
24 the need for a new unit?

25 A Yes. And we account for energy efficiency in

1 two ways in that planning. First as codes and standards
2 are accounted for in our load forecast. And then once
3 we have a load forecast, we then subtract out from that
4 load forecast all of the projected DSM. In this case,
5 whatever the current DSM goals are.

6 **Q And yet a new -- as new units -- more**
7 **efficient new units are added, that further decreases**
8 **the cost-effectiveness of DSM?**

9 A Yes. It's one of a number of factors that is
10 leading to the steadily declining cost-effectiveness of
11 DSM.

12 MS. CORBARI: Thank you.

13 CHAIRMAN GRAHAM: SACE?

14 MR. MARSHALL: Yes. Thank you.

15 EXAMINATION

16 BY MR. MARSHALL:

17 **Q Good afternoon, Dr. Sim.**

18 A Good afternoon.

19 **Q If I could, I would like to direct your**
20 **attention to Table 1 on page 11 of your rebuttal**
21 **testimony. And this is the 2,476 percent figure that**
22 **you quoted in your summary.**

23 A I am there.

24 **Q And here, you are comparing Mr. Grevatt's**
25 **proposed 1.5 percent goals to FPL's current DSM goals?**

1 A Yes, as the table states.

2 Q Isn't it true that FPL's proposed goals in
3 this proceeding of 1.023 gigawatt hours are 0.19 percent
4 of their current goals?

5 A Yes, and appropriately so based on
6 cost-effectiveness analysis.

7 Q If I could direct your attention to page 25 of
8 your rebuttal testimony, lines nine through 10.

9 A I am there.

10 Q Here you say that RIM accounts for unrecovered
11 revenue requirements that would naturally occur from
12 DSM's reduction of kilowatt hours and/or kilowatts?

13 A Yes, that's what it says.

14 Q And by that, there would be a reduction of
15 kilowatt hours and/or kilowatts from lower sales?

16 A Correct.

17 Q And if I could, I would like to direct your
18 attention to page 36, lines 17 through 20 of your
19 rebuttal testimony.

20 A I am sorry, which page?

21 Q Page 36.

22 A Thank you. And what lines, please?

23 Q 17 through 20.

24 A Thank you.

25 Q And here you acknowledge that high levels of

1 DSM that do not pass the RIM test could lower the
2 utility cumulative present value of revenue requirements
3 as compared to the case with DSM programs that just pass
4 the RIM test?

5 A Yes, they could lower costs, will raise
6 electric rates and will increase cross-subsidization.

7 Q Thank you.

8 MR. MARSHALL: No further questions.

9 CHAIRMAN GRAHAM: Staff?

10 MS. DUVAL: No questions.

11 CHAIRMAN GRAHAM: Commissioners?

12 Redirect?

13 MR. C. WRIGHT: No redirect.

14 CHAIRMAN GRAHAM: Okay. Exhibits?

15 MR. C. WRIGHT: FPL would move for the
16 admission of Exhibit 99.

17 CHAIRMAN GRAHAM: If no objection, we will
18 enter Exhibit 99 into the record.

19 (Whereupon, Exhibit No. 99 was received in
20 evidence.)

21 CHAIRMAN GRAHAM: Okay.

22 MR. C. WRIGHT: We ask that Dr. Sim be
23 excused.

24 CHAIRMAN GRAHAM: Dr. Sim, travel safe.

25 THE WITNESS: Thank you, sir.

1 (Witness excused.)

2 CHAIRMAN GRAHAM: Okay. Gulf is the next
3 witness. I think it's about a good time to take a
4 10-minute break. So by that clock in the back, it
5 will be a quarter till 6:00, and we will be ready
6 for the home stretch.

7 (Brief recess.)

8 (Transcript continues in sequence in Volume
9 7.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA KRICK, Court Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

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

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.

DATED this 22nd day of August, 2019.



DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #GG015952
EXPIRES JULY 27, 2020