

I. Meeting Packet



State of Florida
Public Service Commission
INTERNAL AFFAIRS AGENDA

Thursday, January 23, 2014

9:30 am

Room 105 - Gerald L. Gunter Building

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1. Presentation by Matt McCaffree, Director of State Regulatory Relations, National Association of Water Companies. (Attachment 1)
 2. Summary of Staff Training Initiative Funded by the U.S. Department of Energy Grant. Briefing Only (Attachment 2)
 3. Draft Report on Activities Pursuant to the Florida Energy Efficiency and Conservation Act. Approval is sought. (Attachment 3)
 4. Legislative Update. (No Attachment)
 5. Executive Director's Report. (No Attachment)
 6. Other Matters. (No Attachment)

BB/mj

OUTSIDE PERSONS WISHING TO ADDRESS THE COMMISSION ON
ANY OF THE AGENDAED ITEMS SHOULD CONTACT THE
OFFICE OF THE EXECUTIVE DIRECTOR AT (850) 413-6463.

Regulatory Challenges & The National Landscape for the Regulated Water Industry

Matt McCaffree
Director of State Regulatory Relations
NAWC



MOVING WATER FORWARD

Agenda

- NAWC: Who we are
- National Water Sector Overview
- Industry Challenges
- Regulatory Responses & Recent Developments
- Importance of the Regulatory Environment

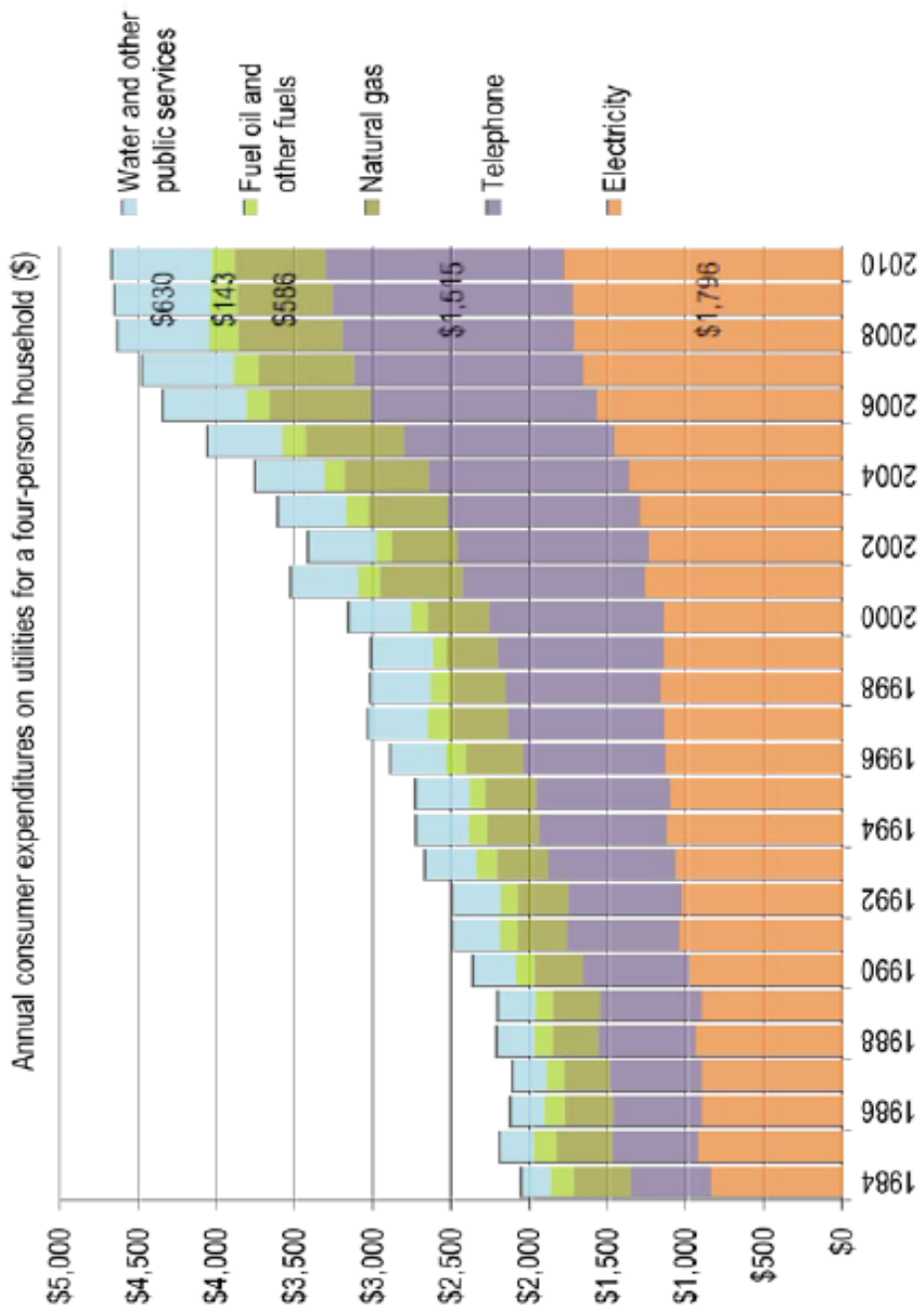
National Association of Water Companies (NAWC)

- Trade association representing the private water service industry
- Nearly 73 million Americans receive water service from a privately owned water utility or a municipal utility operating under a public-private partnership
- Private water companies own and operate 17% of the nation's community water systems
- Key member services include regulatory, governmental and water service solutions

Water Compared

- The only utility service that is physically ingested
- Key role in society
- Environmentally regulated: Must be safe regardless of cost
 - No federal agency (i.e., FERC for energy or FCC for communications)
 - All utilities subject to same environmental standards
 - Quality and environmental standards are increasingly stringent
- Costly to transport, cannot be compressed, and no substitutes
- Least expensive to consumers, but costs continue to rise
- Highly fragmented (50K systems) and highly variable costs

Consumer Utility Expenditures

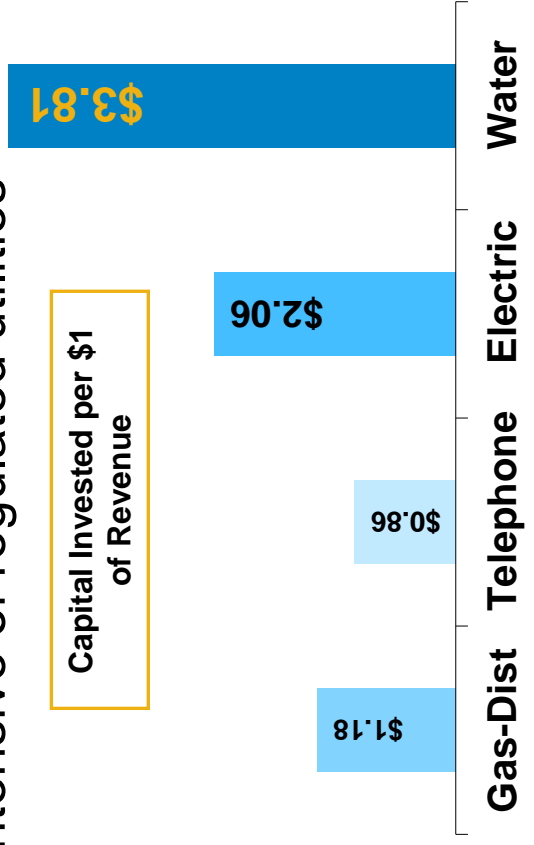


Source: Institute of Public Utilities, 2010

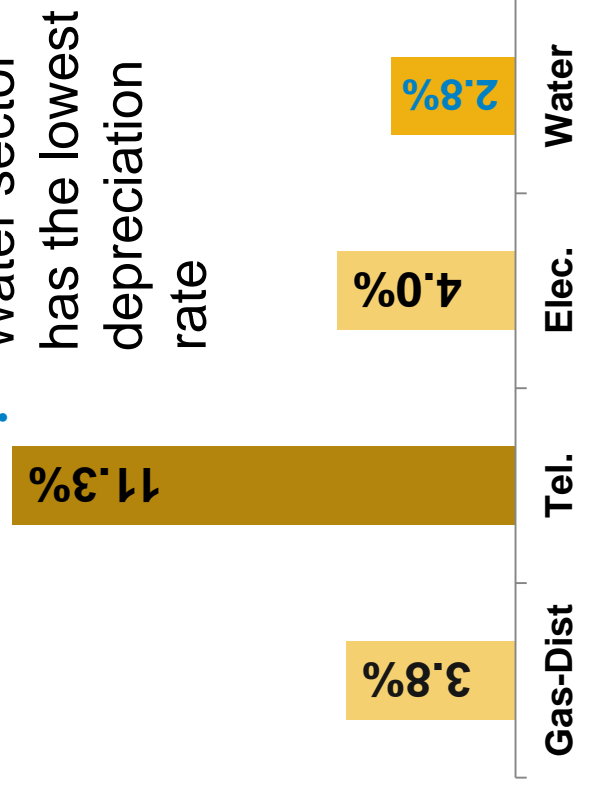
Significant Capital Requirements for Water Infrastructure

- Major investment in critical water infrastructure needed
 - EPA, 2013: \$384 Billion needed by 2030 for drinking water infrastructure (2009: \$355B; 2008: \$298B)
 - ASCE (2013): \$1 Trillion needed for water & wastewater infrastructure over next 25 years

Water is the most capital intensive of regulated utilities



Water sector has the lowest depreciation rate



Source: 2009 AUS Utility Reports

The Industry is in a Perfect Storm

Capital Intensive Industry

+ Aging Infrastructure

+ Growing EPA Mandates

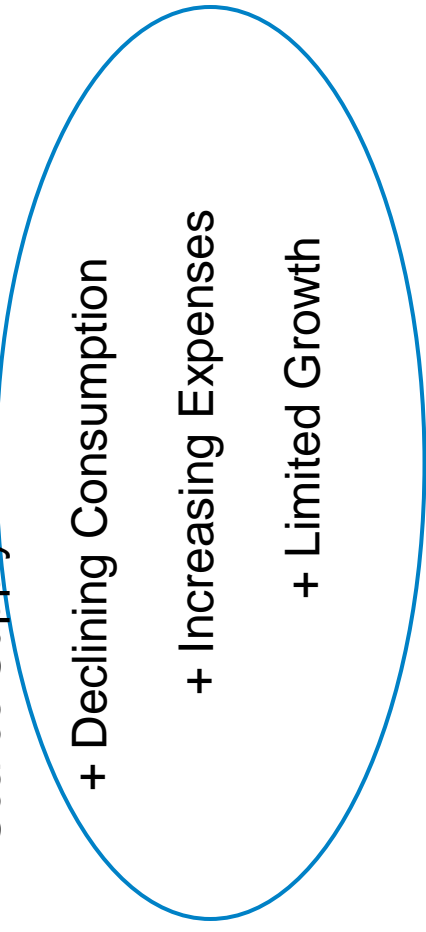
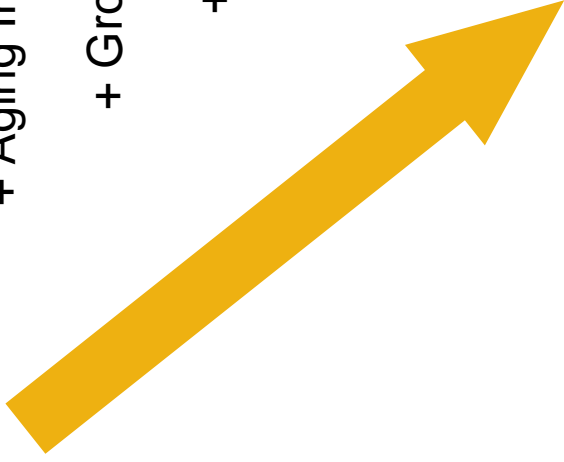
+ Tight Credit Markets

+ Scarce Supply

+ Declining Consumption

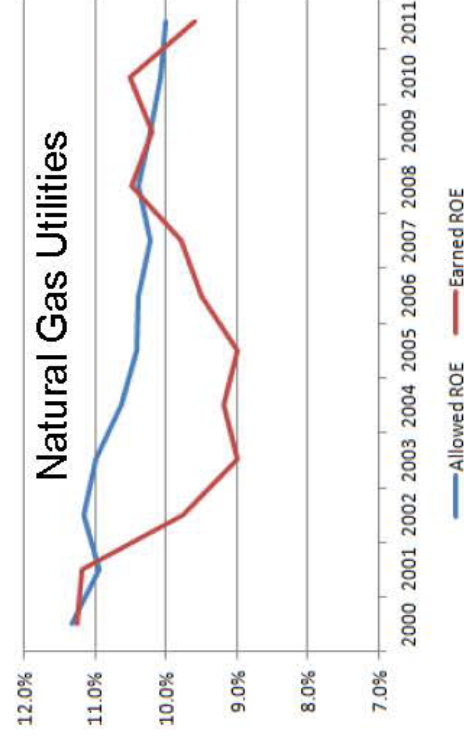
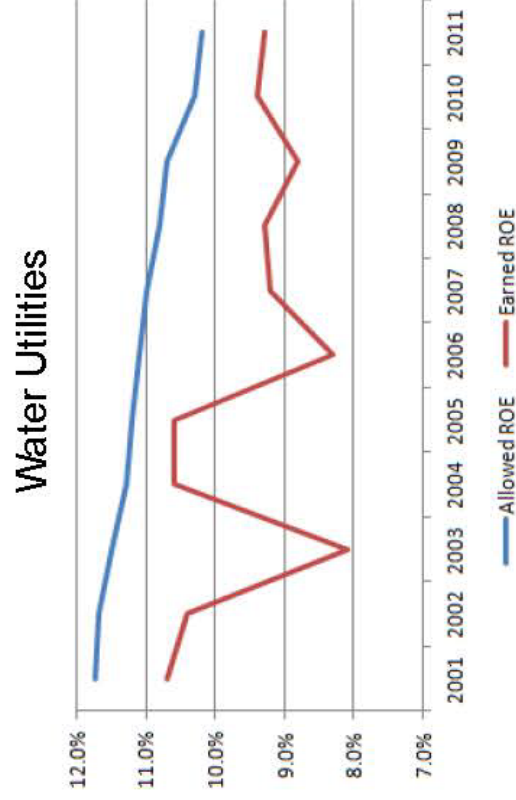
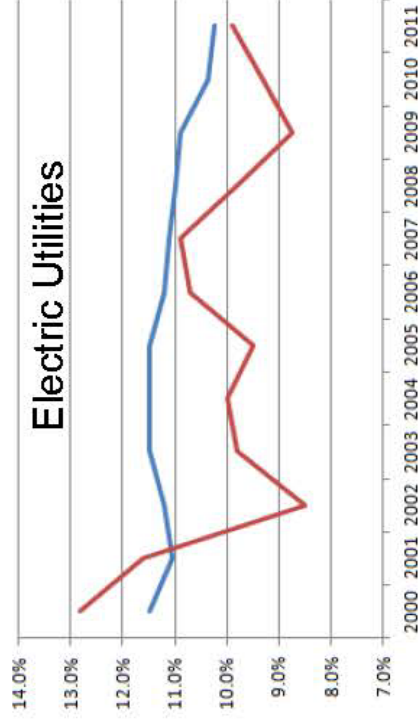
+ Increasing Expenses

+ Limited Growth



Allowed vs. Earned ROE (RW Baird, 2012)

- Regulatory practices significantly impact long-term investment potential
- Consistency of earned return improves access to capital, lowers cost to customers



A Growing Challenge for Investment

Regulated water utilities are under-earning primarily due to regulatory lag.

What happens when a utility earns below authorized ROE?

- Short term
 - Nothing
 - Subsidies from other jurisdictions
 - Reductions in O&M
- Long term
 - Deploy capital & resources to other jurisdictions
 - Capital spend below current depreciation
 - Not fill vacant positions
- Can greatly impact customers & local economies

Regulatory Lag Illustrated...

- Test Year allowed ROE 10.0%
 - 5% increase in O&M 9.5%
 - 10% decrease in consumption 8.4%
 - 1 year capex at 3x depreciation 8.2%



- **Combined effect 5.8%**
- So the ability to earn the allowed ROE is gone even before the new rates are implemented (often by several hundred basis points).

Addressing Regulatory Lag: Alternative Regulation

- In 2013, NAWC investigated mechanisms that allow timely recovery for aging assets and rising costs
- First study of its kind; data confirms assumptions of regulatory treatment of water utilities
- Conclusions
 - Significant progress made in recent years (specifically DSICs & FTY)
 - Water remains well behind regulated energy counterparts:
 - “...electric and natural gas delivery industries have in place a larger number and a greater variety of alternative regulation policies compared to the water industry.”

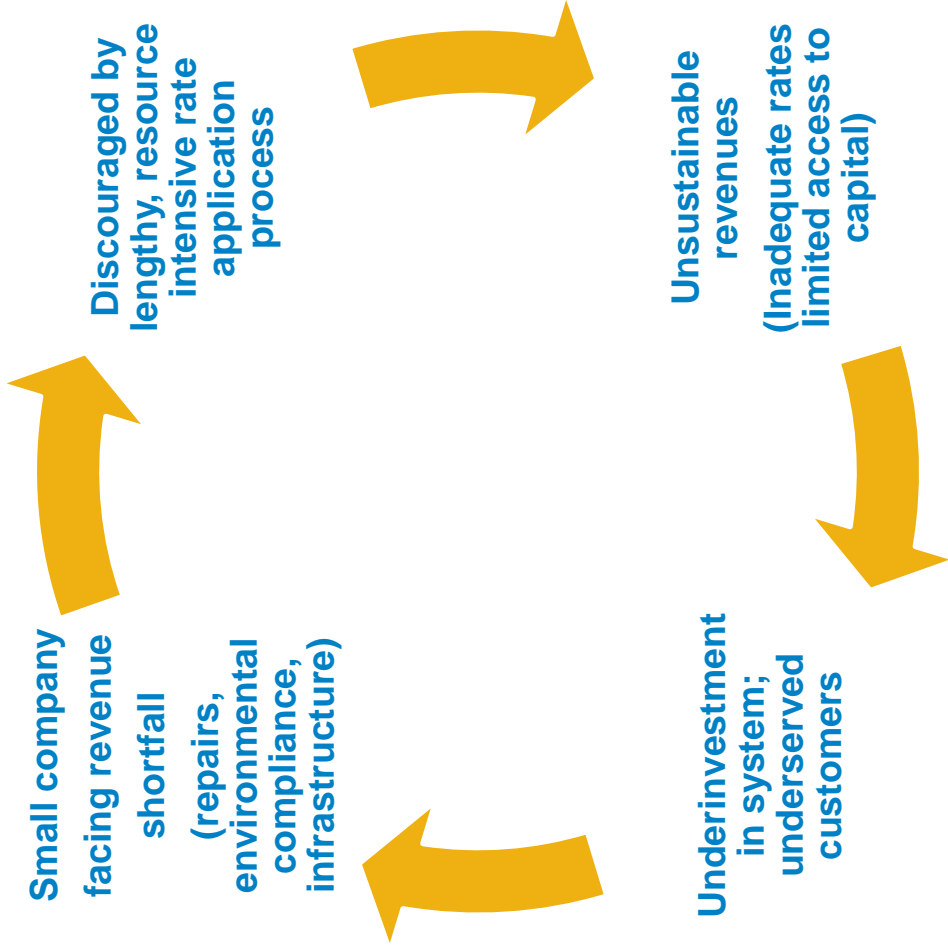
Alternative Regulation Survey Results

	Electricity	Natural Gas	Water
<p>Revenue Stabilization: Mechanisms that adjust base revenues without addressing costs between rate cases. Examples: Conservation adjustments, decoupling, LRAM</p>	27	30	5
<p>Comprehensive Alternative Ratemaking: Mechanisms that move beyond the general rate cases of cost of service regulation and integrate future costs from investment projects and other sources. Examples: Formula rates, multi-year rate mechanisms</p>	34	18	4
<p>Alternative Ratemaking for Capital Expenditures: Mechanisms designed to collect the costs of standard investments to maintain the integrity of distribution systems. Examples: DSIC and CapEx riders</p>	17	22	15

Regulatory Challenges for Small Systems

- Small system rate applications are very expensive per customer
- Small system rate applications are complicated and time consuming limiting timely filings
- Large percentage of CIAC plant reduces rate base
- Capital not readily available for emergencies

Small Systems: Breaking the Cycle of Underinvestment



RECENT POLICY DEVELOPMENTS

Recent Developments & Regulatory Response

- Significant policy momentum toward alternative regulation in the past two years
 - Regulatory approach has reversed course in several states (e.g., NC, AZ, NV)
- Three NARUC Resolutions Passed:
 - Recognizing role of alternative regulation
 - Recognizing ROE gaps across water industry
 - Identifying best practices in the regulation of small water systems

November 2013: NARUC Resolution Recognizing Role of Alt Regulation

- “Traditional cost of service ratemaking, which has worked reasonably well... no longer adequately addresses the challenges of today and tomorrow.”
- Negative, little or no growth and high, nonrevenue producing capital requirements
- “unlikely to encourage the necessary future investment in infrastructure replacement...”
- Electric and gas alternative regulation much more advanced
- “Alternative regulatory mechanisms can enhance the efficiency and effectiveness of water and wastewater utility regulation”; reduced regulatory costs, rate gradualism, predictability and rate certainty
- **RESOLVED:** NARUC “supports consideration of alternative regulation plans and mechanisms” in addition to 2005 Best Practices

July 2013: NARUC Recognizes ROE

Gap Issue

NARUC recognizes:

- The “Regulatory Compact”—still alive and well;
- the unique challenges facing the water industry, especially the need for capital;
- the ROE Gap;
- “traditional” ratemaking practices no longer entirely adequate to ensure long term quality water service;
- the need for coordinated regulatory/legislative action;
- the need to reduce the frequency and cost of rate proceedings.

And resolves:

- Best Practices are “a critical component of a water and/or wastewater utility’s reasonable ability to earn its authorized rate of return.”
- Regulators should carefully consider implementing Best Practices.
- NARUC Water Committee will assist and “monitor progress...until satisfactorily improved.”

Identifying Best Practices for Small Systems

- Need for regulatory changes discussed with NARUC for decades
- Many commissions have innovative practices for small systems that are not used effectively
- In recent years, some commissions have implemented best practices for small systems
- NARUC passes best practices for small system regulation resolution in July, 2013

July 2013: Resolution Supporting Regulatory Best Practices for Small Water Systems

- Identifies 10 core regulatory practices and 3 general management practices
- All mechanisms and policies are in place in at least one state
- Primary aim is to alter the ratemaking effort to match the scope of the impact
- Mechanisms can lessen the regulatory burden on system owners and ultimately help ratepayer
- Examples:
 - Simplified rate applications; use of annual report to fulfill majority of rate application process
 - Electronic filing procedures
 - Simplified rate-of-return mechanisms
 - Cost of living adjustments
 - Facilitating emergency infrastructure funds
 - Limiting use of CIAC

Regulation is Essential to Investment

Fair Return on Equity and Predictable Regulatory Climate Essential To...

- Utilities ability to attract capital
- Capacity to maintain and replace aging infrastructure
- Compliance with water quality standards
- Expanding water service to those who need it

Productive Regulatory Environment

- Cooperative regulatory practices
 - Cooperation does not displace diligence
- Measured by its output – less frequent rate cases, significant customer participation, avoidance of rate shock and regulatory lag
- Customers receive reliable and safe service from its utility at the best available price
- Requires from the utility:
 - Access to capital
 - Efficient operation
 - Creativity
 - Expertise
 - Solid management

Investment Flows to States with Best Practices, Productive Environment

- NAWC member companies invest in best practice states
 - Correlation between future test years, cost trackers, DSIC, and increased investment
 - Examples of companies deploying AMR (increased reliability, significant long-term customer benefit) in states with DSIC, delayed investment in non-best practice states
- Infrastructure Investment = Jobs
 - 90% of the jobs created by infrastructure investment are middle-class jobs
 - Create more jobs than tax cuts (500% more than temp. business tax cuts, 40% more than economy-wide cuts)

Thank you

Download the resolutions, report and other resources:

www.nawc.org > Knowledge Center > State Utility

Regulation

Matt McCaffree

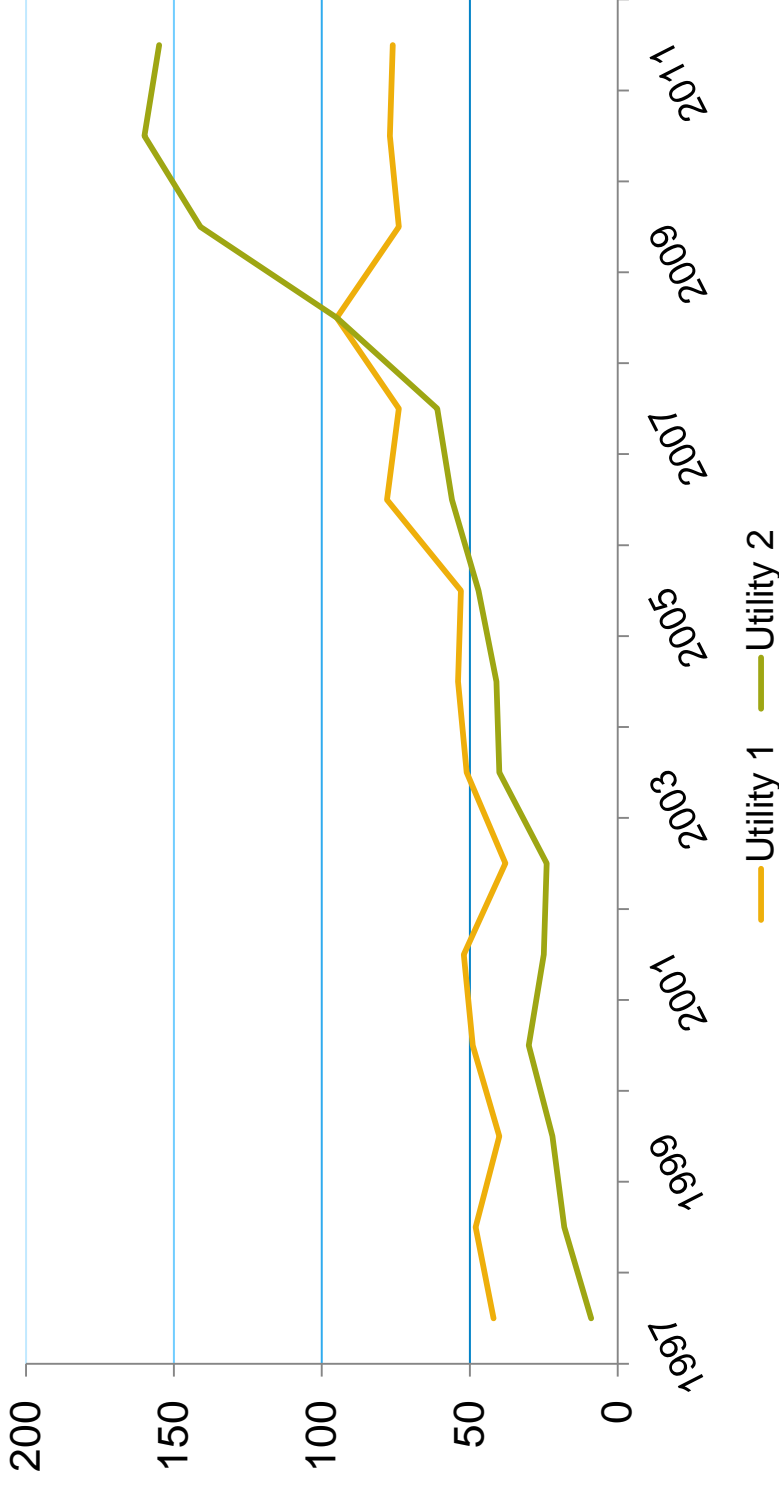
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202-466-3331

APPENDIX

Infrastructure Investment with DSIC

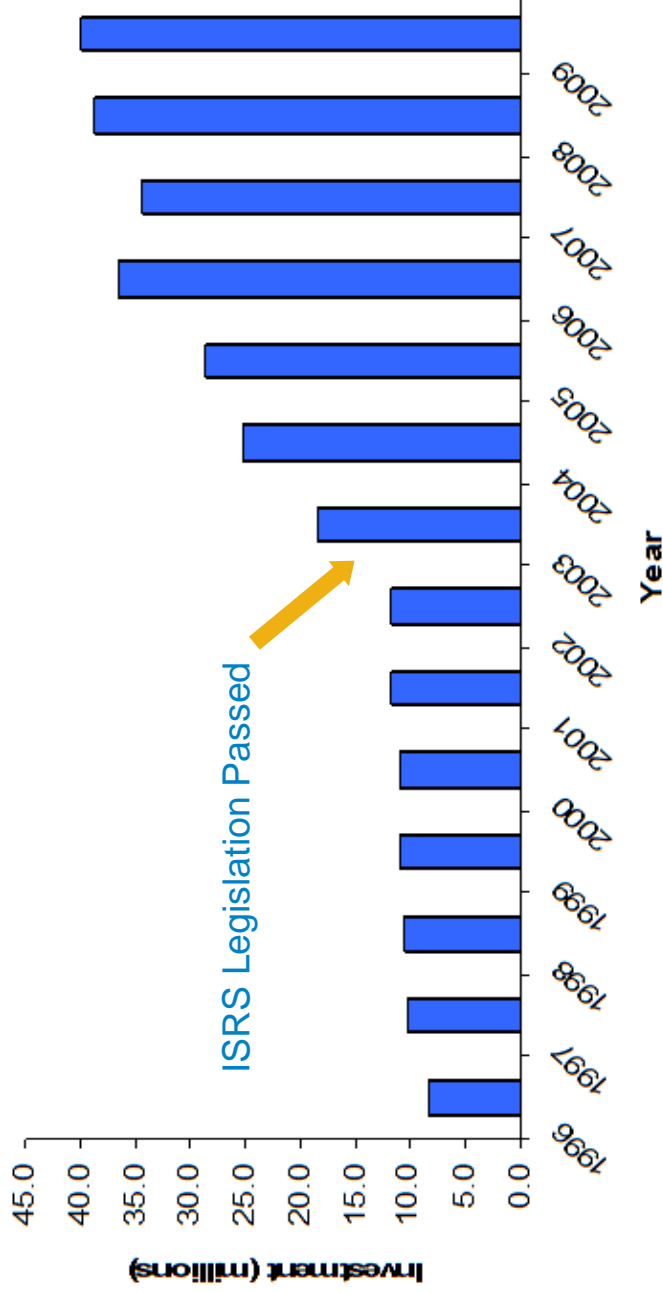
- Miles of line replaced per year in Pennsylvania since implementation of DSIC
- Average time between rate cases has increased 66%



Infrastructure Investment with DSIC (continued)

- Investment in water infrastructure in Missouri has steadily increased since implementation of ISRS (DSIC equivalent)
- Average time between rate cases has doubled

ISRS Qualified Investment
St. Louis County



State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: January 14, 2014

TO: Braulio L. Baez, Executive Director *TOM*

FROM: Diana Marr, Public Utility Analyst II, Office of Industry Development and Market Analysis *DM*
Mark A. Futrell, Director, Office of Industry Development and Market Analysis *MF*

RE: Summary of Staff Training Initiative Funded by the U.S. Department of Energy Grant *GG*

Critical Information: BRIEFING ONLY – Please place on the January 23, 2014, Internal Affairs – **No action requested.**

Background

In 2009, the United States Department of Energy (DOE) offered grant opportunities to state public utility commissions (PUC) to manage the anticipated increase in workload resulting from the electricity-related initiatives of the American Recovery and Reinvestment Act (ARRA). DOE designated \$46 million to fund grants for 50 state PUCs and the District of Columbia. The amount to be allocated to each state was based on its population.

Electricity-related initiatives funded by the ARRA included renewable energy, smart grid, energy storage, electric and hybrid-electric vehicles, demand response equipment, coal with carbon capture and storage, and transmission. It was anticipated, with additional funding, state PUCs could better implement these electricity-related ARRA initiatives. States were to use the grant to supplement, not supplant, existing regulatory expenditures.

At the July 14, 2009 Internal Affairs meeting, the Commission directed staff to pursue this grant opportunity. The Commission specified that the grant funds, if awarded, be used to provide enhanced training for staff in utility regulation and electricity-related activities. Staff submitted a grant application to the DOE on August 27, 2009. The Florida Public Service Commission (FPSC) received an award of \$1,217,160 on December 8, 2009. The term of the grant was through November 30, 2013.

Reporting Requirements

Accepting DOE grant funds meant that the FPSC would be required to comply with quarterly reporting requirements:

Summary of Staff Training Initiative
January 14, 2014

- Financial – reported the amount spent and the amount remaining in the grant allocation
- Progress – detailed the grant activities occurring in the quarter and included a recap of the funds expended per budget category
- Case Management – cumulative report of the electricity-related dockets opened and the orders entered

Staff has timely complied with the quarterly reporting schedule.

The final reporting requirement will be a “close-out” report that is due February 28, 2014. This close-out report will be cumulative and will provide a final accounting of the funds used from the grant, an overview of the accomplishments funded by the grant, and a report of any tangible property purchased with grant funds.

Accountability

To ensure accountability, state purchasing guidelines were followed. Fiscal and administrative checks and balances were also incorporated into the plan to ensure full accountability.

Training Funded by the Grant

The training plan adopted by the Commission was designed to enhance overall staff knowledge in utility regulation and the ARRA electricity-related activities. A variety of training opportunities were used. Attendance at The Institute of Public Utility’s (IPU) Camp NARUC and the NARUC Rate School provided solid regulatory training. In addition, FPSC staff members were able to attend specialized technical courses, such as the Gas Safety Training Courses presented by the U.S. Pipeline Hazard Material Safety Administration (PHMSA), and the Argonne National Laboratory Facility Decommissioning Training.

Numerous training seminars were also presented to staff on-site. Subject matter experts in smart grid, utility depreciation, cost of capital, and forecasting and econometrics, among others, traveled to Tallahassee and made comprehensive presentations to staff. The Public Utility Research Center from the Warrington College of Business of the University of Florida presented various seminars, such as Fundamentals of Utility Regulation, Electric Fuel Procurement, and Current Energy Issues. Unlike generic seminars, several on-site lessons referenced specific Florida Statutes and Rules to make training more pertinent to staff. For example, Dr. Joel Berk used past docket records in the Utility Finance & Accounting Seminar, and Dr. Ronald White of Foster and Associates referenced Rule 25-6.0436, Florida Administrative Code, in his discussion of utility depreciation studies. On-site training seminars were used as much as possible to maximize the benefits from the training dollars.

One of the most meaningful training opportunities for staff was the observation of electricity generation first-hand through various site visits. For example, staff visited solar farms, a nuclear power plant, a cogeneration facility, combined cycle power plants and coal fueled plants. Staff also had the opportunity to visit an integrated gasification combined cycle (IGCC) power plant

Summary of Staff Training Initiative
January 14, 2014

that uses a gasifier to turn coal into syngas, which is then used as fuel to generate electricity. Another site visit was to the Florida Reliability Coordinating Council (FRCC) offices in Tampa, Florida, where staff learned about transmission planning in Florida.

Various other training approaches were acquired, such as video trainings, books and DVDs. Staff will be able to use these items for months and years to come and leverage the grant funded training assets beyond the foreseeable time. Finally, other tangible assets, such as forecasting software and netbooks, were purchased for staff use.

As of November 30, 2013, \$767,900.63 of the grant was expended. The funds not used, \$449,259.37, will revert back to the DOE.

Key Achievements

- 234 technical staff participated in 121 training events
- Each staff member attended an average of 5 training events
- Staff received an average of 90 hours of training
- 19% of training events were held on-site

The ARRA grant enhanced the existing staff training program and expedited the training of the gas pipeline safety inspectors. Many staff received advanced training in their program areas, and a number of staff were able to cross train in the electricity-related issues.

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: January 14, 2014
TO: Braulio L. Baez, Executive Director
FROM: Shevie B. Brown, Economic Analyst, Division of Economics *SB* *JAH* *EB* *J.W.D.*
RE: Draft Report on Activities Pursuant to the Florida Energy Efficiency and Conservation Act (FEECA). Due March 1 to Governor and Legislature.

Critical Information: Please place this item on the January 23, 2014 Internal Affairs. Report is due March 1, 2014. Approval of the FEECA report is sought.

Section 366.82, (10), Florida Statutes, requires the Commission to submit an annual report to the Governor and Legislature on utility progress towards meeting goals established by the Commission pursuant to Florida Energy Efficiency and Conservation Act (FEECA). The report is due by March 1 of each year. Attached is the draft report for the 2012 reporting period which upon approval, will be submitted to the Governor, President of the Senate, Speaker of the House, and the Commissioner of Agriculture. Please place this item on the January 23, 2014, Internal Affairs as approval of the report is necessary before transmittal.

Please let me know if additional information is needed.

cc: Lisa Harvey
Apyl Lynn
S. Curtis Kiser

Florida Public Service Commission

Annual Report on
Activities
Pursuant
to the
Florida
Energy
Efficiency and
Conservation
Act

As Required
by Sections 366.82(10),
377.703(2)(f), and 553.975, Florida Statutes

February 2014

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Executive Summary

Reducing Florida's peak electric demand and energy consumption became a statutory objective in 1980, when the Florida Energy Efficiency and Conservation Act (FEECA) was enacted. Codified in Sections 366.80 through 366.85 and Section 403.519, Florida Statutes (F.S.), FEECA emphasizes reducing the growth rates of weather-sensitive peak demand, reducing and controlling the growth rates of electricity consumption, and reducing the consumption of scarce resources, such as petroleum fuels. Section 366.82(2), F.S., requires the Public Service Commission (Commission or PSC) to set appropriate goals for the seven electric utilities subject to FEECA at least every five years. Commission rules have defined goals with respect to annual electric peak demand and energy savings over a ten-year period, with a reset every five years. The seven utilities currently subject to FEECA are Florida Power & Light Company (FPL), Duke Energy Florida, Inc. (DEF), Tampa Electric Company (TECO), Gulf Power Company (Gulf), Florida Public Utilities Company (FPUC), Orlando Utilities Company (OUC), and JEA. Once goals are established, the utilities must submit for Commission approval, cost-effective demand-side management (DSM) plans, which contain the DSM programs designed to meet these goals.

This report fulfills three Commission statutory obligations. The Commission is required by Section 366.82(10), F.S., to provide an annual report to the Legislature and the Governor summarizing the adopted goals and progress achieved toward those goals. Section 377.703(2)(f), F.S., requires the Commission to file information on electricity and natural gas energy programs with the Department of Agriculture and Consumer Services. Section 553.975, F.S., requires the Commission to submit a biennial report to the Governor, President of the Senate and President of the House regarding the effect of state energy standards on conservation.

Section 1 of this report provides a history of FEECA, highlights savings produced by utility programs since 1980, and provides a description of existing tools for increasing conservation throughout the state. Section 2 discusses current goals and achievements of the FEECA utilities. For context, Section 3 provides an overview of Florida's electricity market. Section 4 discusses methods the Commission has used to educate consumers about conservation and provides a list of related web sites. Finally, Appendix 1 provides a description of the conservation programs currently offered by the FEECA utilities.

Conservation Achievements

Over the last thirty-three years, the FEECA utilities' DSM programs in total have reduced winter peak demand by an estimated 6,465 megawatts (MW) and summer peak demand by an estimated 6,737 MW. The demand savings from these programs have resulted in the deferral or avoidance of a substantial fleet of baseload, intermediate, and peaking power plants. These programs have also reduced total electric energy consumption by an estimated 8,937 gigawatt-hours (GWh).

Since 1981, Florida's investor-owned electric utilities have recovered over \$5.7 billion of conservation expenditures for DSM programs through the Energy Conservation Cost Recovery (ECCR) clause. Approximately \$2.9 billion of the total conservation program expenditures

recovered have occurred in the last ten years. In 2012, Florida's investor-owned electric utilities recovered over \$387 million in conservation program expenditures, performed more than 206,000 residential audits, and offered over 100 conservation programs for residential and commercial customers.

Consumer choice plays an important role in reducing the growth rates of electrical demand and energy in Florida. Consumers may support electric energy conservation through a variety of actions including constructing smaller, more efficient homes, buying energy-efficient appliances, installing energy-efficiency upgrades to existing homes and increasing the use of the most cost-effective demand-side renewable systems. The Commission's consumer education program offers several tools to promote consumer awareness of conservation and energy efficiency opportunities.

Conversely, prescriptive mandates play a major role in conservation. Building code requirements established by the Florida Building Commission in 2008, per legislative directive, have increased the energy performance of new buildings by at least 20 percent compared to the 2007 Energy Efficiency Code. State and Federal minimum efficiency standards for residential appliances and commercial equipment, along with building construction standards, complement state level utility-sponsored DSM programs that consumers may participate in on a voluntary basis. For example, in 2013, the U.S. Department of Energy (DOE) issued an update for the energy conservation standards for residential microwave ovens which could reduce energy consumption by up to 75 percent in standby mode and revised energy conservation standards for residential room air conditioners. The DOE also initiated rulemaking to amend testing procedures for residential refrigerators and freezers to account for ice-making energy use and to update energy use for other features. Once finalized, the new standards for Energy Star certified refrigerators and freezers would use approximately 10 percent less energy than models meeting the current 2014 standards. Lighting standards have changed as well, with various watts of incandescent bulbs being phased out and becoming no longer available for purchase. On January 1, 2012, traditional 100 watt incandescent light bulbs were phased out. Similarly, 75 watt incandescent bulbs were phased out as of January 1, 2013, and as of January 1, 2014, 60 watt and 40 watt incandescent bulbs are no longer available.

Section 2 of this report compares the FEECA utilities' demand and energy savings to the goals set by the Commission. In 2010, the Commission approved DSM plans for OUC, JEA, FPUC, and TECO. Gulf's DSM plan was approved in February 2011. The Commission voted to modify the proposed DSM plans of FPL and DEF on June 26, 2011. The modification included the notation that the approved plans for FPL and DEF would consist of the existing programs in effect on the date of the Orders.

Section 366.82(8), F.S., also provides authority for the Commission to assign financial rewards and penalties to investor-owned utilities (IOUs). The Commission was authorized by 2008 legislation to allow an IOU to receive an additional return on equity of up to 50 basis points for exceeding 20 percent of its annual load growth through energy efficiency and conservation measures. Specifically, to FPL and DEF, the Commission ruled that if their achievements surpassed their established goals, the utilities could be eligible for a financial award. Conversely, if FPL and DEF's achievements fell below the savings projected under their modified DSM plans, the utilities could be financially penalized. To date, the Commission has

not awarded financial awards or assessed penalties for IOUs subject to FEECA. Such actions could be decided in a limited proceeding as established by the Commission in Order No. PSC-09-0855-FOF-EG.

On July 26, 2013, the Commission opened dockets for each of the seven FEECA utilities to file new goals.¹ The utilities will submit testimony beginning April 2014. FPUC and OUC received approval to submit goals based on proxy methodologies of Gulf (FPUC) and TECO (OUC). Both FPUC and OUC are required to file their goal calculations within ten days of the Commission's approval of the goals for the respective proxy utility. Both FPUC and OUC will also be excused from participating in the hearing of the new goals proceedings.

An assessment of the 2012 annual goals compared to each utility's annual achievements during 2012 reveals that Gulf, OUC, and JEA exceeded their demand and energy savings goals in every category. FPL, DEF, TECO, and FPUC did not surpass their demand and annual goals in some categories for at least one customer sector during 2012. The primary reasons given by these utilities for not meeting their goals included lower than expected consumer participation due to weak economic conditions, unexpected delays in implementing new programs, and the need for increased marketing efforts.

Conclusion

The potential demand and energy savings from utility-sponsored conservation programs are affected by consumer education and behavior, building codes, and appliance efficiency standards. Consumer actions to implement energy efficiency measures outside of utility programs as well as codes and efficiency standards, create a baseline for a new program's cost-effectiveness and reduce the amount of incremental energy savings available from utility programs. Utility programs are designed to incent behavior that exceeds current building codes and minimum efficiency standards. It should be noted that the savings from these programs are somewhat uncertain because they depend on voluntary participation from customers. However, the expense is shared by all customers. As such, customer participation in utility-offered DSM and energy conservation programs, along with individual efforts to use electrical energy wisely, remain fundamental elements for reducing the demand for energy.

Conservation and renewable energy are expected to continue to play an important role in Florida's energy future. The Commission will continue its efforts to encourage cost-effective conservation and renewable energy to reduce the use of fossil fuels and defer the need for new generating capacity to ensure a balanced mix of resources that reliably and cost-effectively meet the needs of Florida's ratepayers.

¹ See Docket Nos. 130199-EI through 130205-EI.

Section 1. The Florida Energy Efficiency and Conservation Act

1.1 History of FEECA

The Florida Energy Efficiency and Conservation Act (FEECA) has emphasized three key areas in reducing the growth rates of weather-sensitive peak demand, reducing the growth rates of electricity consumption and reducing the consumption of limited resources such as petroleum fuels since it was enacted in 1980. The Commission is required to establish goals, to which electric utilities are required to respond via demand-side management (DSM) programs, with an aim of accomplishing these statutory requirements.

Originally, all electric utilities in Florida were subject to FEECA. However, in 1989, two key changes were made to the law. The first change limited the required electric utilities subject to the law to those with more than 500 gigawatt-hours (GWh) of annual retail sales. During that period, the requirement included 12 utilities which produced 94 percent of Florida's retail electricity sales combined. The second change to the law included language which encouraged cogeneration.

In 1996, municipal and cooperative utilities' minimum retail sales thresholds were raised by the Legislature to 2,000 GWh. Retail sales for these utilities were measured as of July 1, 1993, and two municipal utilities' sales fell within the boundaries of the new law: JEA and OUC. In addition to these two utilities, all five Florida investor-owned utilities (IOU) must comply with FEECA regardless of sales. No rural electric cooperatives are subject to FEECA.

FEECA utilities currently account for more than 90 percent of all Florida energy sales as shown below in Table 1. The table reflects 2012 energy sales by each FEECA utility, as well as all non-FEECA utilities. In addition, the table also includes the percentage of Florida's total energy sales for each FEECA utility along with a total percentage allocation for the non-FEECA utilities.

Table 1. Energy Sales by Florida's FEECA Utilities in 2012

Florida's FEECA Utilities	Energy Sales GWh	% of Total Energy Sales
Florida Power & Light Company	102,226	48.1
Duke Energy Florida	36,381	17.9
Tampa Electric Company	18,412	8.8
Gulf Power Company	10,663	5.2
Florida Public Utilities Company	661	0.3
JEA	11,663	5.9
Orlando Utilities Commission	5,916	2.8
FEECA Utilities' Total	185,922	90.4
Non-FEECA Utilities' Total	29,969	9.6
Statewide Total	215,891	100.0

In March 2012, the Florida Legislature tasked the Commission, in collaboration with the Florida Department of Agriculture and Consumer Services (DACCS), to evaluate whether the Act was still in the public interest. Academic institutions were identified as being best able to meet the criterion that the evaluation be conducted via independent contract. Of 19 potential academic contractors with expertise in energy, the electric utility industry, and energy efficiency and conservation, a team of researchers from the University of Florida and the National Regulatory Research Institute was ultimately selected to perform the study. Results were distributed to the Governor and the Legislature on January 7, 2013. The research team concluded that FEECA remains in the public interest for the following reasons:

- Customer contributions to FEECA utility-sponsored conservation programs provide a positive net benefit. Florida's conservation program costs are in line with costs in similarly situated states;
- Conservation programs which use information and financial incentives to encourage less consumption act to offset imperfect price signals inherent in traditional rate structures;
- The FPSC applies appropriate and commonly used cost-effectiveness tests to evaluate the costs and benefits of conservation programs. The cost of conservation programs does not appear to be an undue burden on consumers; and
- The utilities' roles in promoting energy conservation are appropriate.

A copy of the report can be found using the following link: http://warrington.ufl.edu/centers/purc/docs/FEECA_FinalReport2012.pdf. The Legislature also required the Commission to serve as consultants to the DACS Office of Energy along with the Florida Building Commission, and the Florida Energy System Consortium to develop information regarding cost savings associated with various energy efficiency and conservation measures. This information is posted on the DACS website to facilitate consumers' energy efficiency decisions.

In May 2013, the Commission's Office of Auditing and Performance Analysis completed a report titled *Review of Administrative Efficiency of Utility Demand-Side Management Programs*. As the title implies, an audit was performed to examine the administrative efficiency of the DSM programs of the four major investor-owned electric utilities in Florida: FPL, DEF, TECO, and Gulf. The purpose of the audit was to review each utility's processes to efficiently develop, measure, analyze and improve its DSM programs. Staff also examined how each utility evaluates DSM program efficiencies and cost-effectiveness, including how each utility tracks costs associated with implementing the DSM programs, how each utility evaluates programs for modification or replacement, and how each utility utilizes industry or peer-to-peer analysis to evaluate or improve its DSM programs. The audit revealed that no major causes for concern exist regarding the manner in which the IOUs utilize their resources towards running their DSM programs. A copy of the report is available on the Commission's website at <http://www.floridapsc.com/publications/pdf/electricgas/DSMReviewReport.pdf>.

1.2 Conservation Tools and DSM Savings

As potential sites for power plants and transmission corridors become more scarce, the need to defer future generating units and transmission units grows in importance. Though utility-sponsored DSM programs are unquestionably important, consumer choice and mandatory efficiency standards are keys to reducing demand and energy growth rates in Florida. Consumers respond to price signals by buying smaller, more energy-efficient homes, installing efficiency upgrades, using more cost-effective demand-side renewable systems, behavioral changes, and a host of other actions. The Commission’s actions to educate Florida’s consumers on conservation opportunities are discussed further in Section 4 of this report.

Home and business energy audits serve as the basis for all DSM and conservation programs by allowing utilities the opportunity to evaluate conservation opportunities for their customers. Pursuant to 366.82(11), F.S., all FEECA utilities are required to offer energy audits to residential customers. During 2012, Florida’s investor-owned utilities performed more than 206,000 residential energy audits. Through their demand-side management plans the FEECA utilities currently offer more than 100 conservation programs for residential, commercial, and industrial customers.

Table 3 illustrates that since FEECA’s enactment in 1980, DSM programs are estimated to have reduced winter peak demand by an estimated 6,465 MW and reduced annual energy consumption by an estimated 8,937 GWh. The demand savings from these programs have resulted in the deferral or avoidance of a substantial fleet of baseload, intermediate and peaking power plants.

Table 3. Estimated Cumulative DSM Savings Since 1980

	Savings
Summer Peak Demand	6,737 MW
Winter Peak Demand	6,465 MW
Annual Energy Reduction	8,937 GWh

Utility programs are designed to incent behavior that exceeds current building codes and minimum efficiency standards. The potential demand and energy savings from utility-sponsored conservation programs are affected by consumer education and behavior, building codes, and appliance efficiency standards. Consumer actions to implement energy efficiency measures outside of utility programs as well as codes and efficiency standards, create a baseline for a new program’s cost-effectiveness and reduce the amount of incremental energy available to count towards savings. At the state level, building code requirements established by the Florida Building Commission in 2008, per legislative directive, have increased the energy performance of new buildings by at least 20 percent compared to the 2007 Energy Efficiency Code. State and Federal minimum efficiency standards for residential appliances and commercial equipment, along with

building construction standards, complement state level utility-sponsored DSM programs for which consumer participation is voluntary.²

At the federal level, the U.S. Department of Energy (DOE) establishes minimum energy efficiency standards for more than 50 categories of appliances and equipment representing approximately 90 percent of home energy use, 60 percent of commercial building use, and 29 percent of industrial energy use. Throughout 2013, the DOE completed more than 30 rulemaking actions, including four final rules on new energy efficiency standards. Table 2 outlines the expected timeframe for changes in appliance standards for those appliances where rulemaking has begun.

The DOE's final rules issued in 2013 included an update for the energy conservation standards for residential microwave ovens in standby mode and off mode and revised energy conservation standards for residential room air conditioners. The DOE also initiated rulemaking to amend testing procedures for residential refrigerators and freezers to account for ice making energy use and to update energy use for other features. Once finalized, the new standards for Energy Star certified refrigerators and freezers would use approximately 10 percent less energy than models meeting the current 2014 standards.

The new standards for microwave ovens will go into effect starting in 2016, and are expected to save U.S. households approximately \$3 billion on their energy bills through 2030. The DOE estimates that the changes in the energy efficiency standards for microwave ovens will reduce energy consumption in standby mode by 75 percent in countertop microwave ovens and over-the-range microwave ovens without convection features, and by 51 percent for over-the-range microwave ovens with convection.

Lighting standards have changed as well, with various watts of incandescent bulbs being phased out and becoming no longer available for purchase. Beginning January 1, 2012, traditional 100 watt incandescent light bulbs were phased out. Similarly, 75 watt incandescent bulbs were phased out as of January 1, 2013 and as of January 1, 2014, 60 watt and 40 watt incandescent bulbs will no longer be available.

² Pursuant to Section 553.975, F.S., the Commission must report the effectiveness of state energy conservation standards established by Sections 553.951 – 553.973, F.S. Florida's appliance efficiency standards are mandatory efficiency improvements but have not been updated since 1993, and therefore have likely been superseded by more recent federal efficiency standards.

Table 2: Federal Appliance Standards

Product Category	Approximate Rule Initiation Date	Final Action Date
Heating Products Rulemaking		
Furnace Fans	Fiscal Year (FY) 2013, Quarter (Q)2	Dec. 2013
Single-Package Vertical Air Conditioner (AC) and Heat Pump (HP)	FY 2012, Q1	Apr. 2014
Commercial and Industrial Fans and Blowers	FY 2011, Q3	Sept. 2015
Commercial Warm Air Furnaces	FY 2013, Q1	Dec. 2015
Residential Boilers	FY 2013, Q1	Jul. 2016
Commercial Packaged Boilers	FY 2013, Q2	Dec. 2016
Residential Water Heaters	FY 2013, Q2	Mar. 2018
Residential Direct Heating Equipment and Pool Heaters	FY 2014, Q1	Mar. 2018
Residential Furnace	FY 2015, Q1	Jun. 2019
Transformers, Motors, and Pumps Rulemakings		
Electric Motors	FY 2010, Q2	May 2014
Commercial and Industrial Pumps	FY 2011, Q2	Aug. 2015
Lighting Rulemaking		
General Service Fluorescent Lamps and Incandescent Reflector Lamps*	FY 2011, Q2	Sept. 2014
Metal Halide Lamp Fixtures	FY 2009, Q2	May 2014
High-Intensity Discharge Lamps	FY 2010, Q3	Jul. 2014
General Service Incandescent Lamps and Compact Fluorescent Lamps, General Service LEDs, and General Service Organic Light-Emitting Diodes (OLEDs)	FY 2014, Q2	Dec. 2016
Ceiling Fans and Ceiling Fan Light Kits	FY 2012, Q4	Dec. 2016
Elliptical Reflector (ER), Bulge Reflector (BR), and Small-Diameter Incandescent Reflector Lamp**	FY 2010, Q1	TBD
Home Appliance Rulemakings		
Commercial Clothes Washers	FY 2012, Q2	Jan. 2015
Wine Chillers and Miscellaneous Refrigeration Products	FY 2011, Q3	Jan. 2016
Kitchen Ranges and Ovens	FY 2014, Q1	Mar. 2017
Dehumidifiers	FY 2013, Q1	Mar. 2017
Space Cooling Rulemakings		
Commercial Packaged Air Conditioning and Heating Equipment	FY 2013, Q1	Dec. 2015
Packaged Terminal Air Conditioners and Heat Pump	FY 2013, Q2	Sept. 2016
Commercial Refrigeration Rulemaking		
Walk-In Coolers and Walk-In Freezers	FY 2009, Q1	Jan. 2014
Commercial Refrigeration Equipment	FY 2010, Q2	Feb. 2014
Commercial Automatic Ice Makers	FY 2011, Q3	May 2014

* DOE has revised the scope of this rulemaking activity.

**DOE has ceased work on this rulemaking activity.

Utility programs offer rebates and incentives for appliances that exceed federally established minimum efficiency standards, thereby avoiding duplicate savings estimates. Increases in federal efficiency standards, independent conservation efforts by consumers, and

general conservation practices may increase utilities' challenges in achieving enough increased savings through DSM programs to meet the rising goal levels. Moreover, participation rates in utility programs are driven by the anticipated payback to the participating customer. While utility incentives will tend to increase the customers "take rate" in programs, the cost of electricity is included in each customer's calculations to participate. Thus low or declining electric prices reduce the market participation in DSM programs.

1.3 Conservation Cost Recovery

Administrative costs, equipment, and incentive payments to participants all are costs of implementing a DSM program. IOUs are allowed to recoup prudent and reasonable expenses for DSM programs approved by the Commission through the Energy Conservation Cost Recovery (ECCR) clause. Before attempting to recover costs through the ECCR, utilities must prove their DSM programs are cost-effective and therefore benefit ratepayers in general. Utilities must also obtain Commission approval for program modifications before seeking cost recovery.

IOUs have recovered more than \$5.7 billion in conservation expenditures via the ECCR clause since 1981; approximately \$2.9 billion of these funds have been recovered in the last 10 years. Table 4 shows the annual DSM expenditures recovered from customers by Florida's IOUs. As shown in Table 4, the IOUs' annual expenditures demonstrated general stability from 2003 to 2007, primarily because DSM programs reached saturation in participation levels and became less cost-effective due to reduced cost of new generating units. From 2008 through 2011, IOUs saw growth in DSM expenditures due to adding and/or changing some programs, including programs designed to encourage consumers to install new energy efficiency technology, and increased incentive levels.

Table 4. DSM Expenditures Recovered Through the ECCR Clause

	FPL	DEF	TECO	Gulf	FPUC	Total
2003	\$150,026,657	\$62,156,585	\$17,518,874	\$7,313,033	\$381,563	\$237,396,712
2004	\$145,679,192	\$60,072,362	\$16,357,137	\$7,619,637	\$382,504	\$230,110,832
2005	\$144,192,696	\$59,143,076	\$15,583,727	\$8,826,754	\$473,610	\$228,219,863
2006	\$146,205,249	\$59,543,107	\$14,099,638	\$9,562,098	\$456,162	\$229,866,254
2007	\$146,204,978	\$67,109,815	\$13,652,585	\$9,107,952	\$515,022	\$236,589,592
2008	\$180,016,994	\$77,593,960	\$16,989,411	\$9,257,740	\$534,350	\$284,392,455
2009	\$186,051,381	\$80,954,071	\$32,243,415	\$10,576,197	\$540,433	\$310,365,497
2010	\$216,568,331	\$85,354,923	\$43,371,442	\$9,859,407	\$693,331	\$355,847,434
2011	\$228,293,641	\$91,738,039	\$43,349,092	\$15,003,596	\$941,462	\$379,325,830
2012	\$224,033,740	\$93,728,108	\$46,593,831	\$22,925,503	\$651,145	\$387,932,327
Total						\$2,880,047,556

During the annual ECCR proceedings, the Commission decides on an energy conservation cost recovery factor for application to the energy portion of each customer's bill for the following calendar year. These factors are set based on each utility's estimated conservation costs for the next calendar year, along with a reconciliation for any actual conservation cost under- or over-recovery for the previous year. The Commission most recently set conservation cost recovery factors in November 2013.³ These factors take effect with the first billing cycle of 2014.

Table 5 illustrates the IOUs' conservation cost recovery factors for application to residential customer bills. These factors were applied to a bill based on 1,200 kilowatt-hour (kWh) energy usage to estimate the impact on a typical residential customer's monthly bill.

Table 5. Residential Conservation Cost Recovery Factors in 2014

Utility	Residential ECCR Factor (cents/kWh)	Monthly Bill Impact (based on 1,200 kWh)
FPL	0.337	\$4.04
DEF	0.402	\$4.82
TECO	0.295	\$3.54
Gulf	0.226	\$2.71
FPUC	0.100	\$1.20

Natural gas local distribution companies (LDC) also offer conservation programs to their customers although currently, the Commission does not set goals for these companies. Natural gas programs typically include the provision of incentives for the replacement of less efficient appliances with more efficient versions. As a result, LDCs have historically spent the majority of their conservation program costs promoting the use of natural gas to residential home builders and home owners. These actions are achieved by providing rebates that support the installation of energy efficient appliances. Recently, the natural gas LDCs received approval from the Commission to offer natural gas programs to their commercial customers.⁴ The programs will allow the LDCs to incentivize new construction, retrofit, or retention commercial customers who use efficient end-use natural gas appliances, similar to what is offered to residential customers. During the analysis of the LDC's petition seeking to offer new commercial natural gas conservation programs, staff noted that the Commission's electric rules on energy conservation contain more guidelines than those currently encompassed in the natural gas conservation rules. The Commission has authorized staff to conduct workshops in the near future to initiate discussions with the industry to determine whether the current natural gas conservation rules should be revised in order to be more consistent with the filing requirements for the electric utilities.

³ See Order No. PSC-13-0614-FOF-EG, issued November 20, 2013, in Docket No. 130002-EG, In re: Energy Conservation Cost Recovery Clause.

⁴ See Docket No. 130167-EG; Petition for approval of natural gas energy conservation programs for commercial customers, by Associated Gas Distributors of Florida.

Commission Rule 25-17.015, F.A.C., permits natural gas distribution companies to seek recovery for their conservation programs. The Commission most recently set conservation cost recovery factors in November 2013.⁵ These factors took effect with the first billing cycle of 2014. Table 6 displays the local distribution companies' conservation cost recovery factors which will be applied to a typical residential customer's bill using 20 therms of natural gas per month.

Table 6. Residential Natural Gas Cost Recovery Factors in 2014

Utility	ECCR Factor (cents/therm)	Monthly Bill Impact (based on 20 therms)
Chesapeake Utilities	21.947	\$4.39
Florida City Gas	13.084	\$2.62
Florida Public Utilities	9.256	\$1.85
Peoples Gas System	8.253	\$1.65
St. Joe Natural Gas	23.774	\$4.75
Indiantown Gas Company	2.4690	\$0.49
Sebring Gas System	11.993	\$2.40

⁵ See Order No. PSC-13-0613-FOF-GU; issued November 20, 2013; in Docket No. 130004-GU; In re: Natural Gas Conservation Cost Recovery.

Section 2. Analytics for Setting Demand-Side Management Goals

2.1 Cost-Effectiveness

In general, utility-sponsored DSM programs can benefit the general body of electric ratepayers because of the programs' ability to offset the need for future power plant construction. These programs therefore can reduce costs to ratepayers by postponing capital expenditures and reducing current energy production costs, including fuel and variable operating and maintenance-related costs, and by improving reliability. On the other hand, the deferral of new power plants can forgo the benefits of more efficient power production and lower emission rates for certain regulated pollutants.

Section 366.82, F.S., requires utility-sponsored conservation programs to be cost-effective. This requirement is codified in Rule 25-17.008, F.A.C., which identifies cost-effective methodologies to be used, as well as cost and benefit information utilities must provide the Commission whenever an assessment of an existing, new or modified conservation program is requested. In order to be eligible to qualify for cost-recovery, utilities are required to provide a cost-effectiveness analysis of each program. This analysis is done via three tests: the Participants test, the Ratepayer Impact Measure (RIM) test, and the Total Resource Cost (TRC) test. The tests are summarized below.

Participants test. The Participants test analyzes costs and benefits from a program participant's point of view and ignores the impact on the utility and other ratepayers not participating in the program. The costs customers pay for equipment and maintenance are considered under the Participants test. Benefits considered in the test include incentives that are paid by the utility to the customers and a reduction in customer bills.

RIM test. The RIM test includes the costs associated with incentive payments to participants and decreased revenues to the utility which typically must be recovered from the general body of ratepayers at the time of a rate case. In particular, the RIM test is designed to ensure that all ratepayers, not just the program's participants, will benefit from a proposed DSM program. A DSM program that passes the RIM test ensures that all customer rates are lower than they otherwise would have been without the DSM program.

TRC test. The TRC test measures the overall economic efficiency of a DSM program from a social perspective. This test measures the net costs of a DSM program based on its total costs, including both the participant's and the utility's costs. Unlike the RIM test, customer incentives and decreased revenues are not included as costs in the TRC test; instead, these factors are treated as transfer payments among ratepayers. Moreover, certain external costs and benefits such as environmental impacts are appropriate for inclusion under the TRC test.

Table 7 below further illustrates the costs and benefits considered in the three Commission-approved cost-effectiveness methodologies:

Table 7. Summary of Cost-Effectiveness Methodologies

	Participants	RIM	TRC
<i>Benefits</i>			
Bill Reduction	X		
Incentives Received	X		
Avoided Generation (Capital and O&M)		X	X
Avoided Transmission (Capital and O&M)		X	X
Fuel savings		X	X
<i>Costs</i>			
Program Costs		X	X
System Fuel Cost Increase		X	X
Incentives Paid		X	
Lost Revenues		X	
Participant's Costs (Capital and O&M)	X		X

IOUs also are required by the Commission to assess programs regularly. When programs prove no longer cost-effective, utilities must petition the Commission for modification or discontinuation of the program. In contrast, if new efficiency measures become available which are cost-effective, the utility may petition the Commission for approval of a new program.

Legislation enacted in 2008 amended the FEECA statute, placing upon the Commission additional responsibilities when adopting goals. These responsibilities include the consideration of benefits and costs to program participants and ratepayers as a whole as well as the need for energy efficiency incentives for customers and utilities. The Commission must also evaluate the costs imposed by state and federal regulations on greenhouse gas emissions. The Commission is also responsible for assessing the cost-effectiveness of all demand-side and supply-side energy conservation measures, including demand-side renewable energy systems. The Commission's most recent goal-setting proceeding, initiated in 2008, was the first implementation of these modifications. Additionally, the statute was amended to allow the Commission to provide appropriate financial rewards and/or penalties to the utilities over which it has rate-setting authority. Finally, the 2008 legislation authorized the Commission to allow an IOU to receive an additional return on equity of up to 50 basis points for exceeding 20 percent of its annual load growth through energy efficiency and conservation measures. To date, the Commission has not awarded financial awards or assessed penalties for IOUs subject to FEECA.

2.2 Commission-Established Goals

In Order No. PSC-09-0855-FOF-EG,⁶ issued December 30, 2009, the Commission established annual numeric goals for FEECA utilities for reductions in summer peak demand, winter peak demand, and annual energy for the period from 2010 through 2019. The Commission based the annual numeric DSM goals for the IOUs (FPL, DEF, TECO, Gulf, and FPUC) on the enhanced TRC (E-TRC) test and the top ten residential energy savings measures with a two-year or less payback. The E-TRC, like the TRC test, measures the overall economic efficiency of a DSM program from a social perspective and also includes the addition of projected future carbon costs. The Commission found that OUC's and JEA's annual numeric goals were to be based on their current program levels so their general body of ratepayers are not subjected to increased rates. DSM goals of DEF and JEA subsequently were amended based on updated information provided through the utilities' discovery responses.⁷ Table 8 shows the summer demand, winter demand, and annual reduction energy goals ultimately approved for FEECA utilities by the Commission.

Table 8. Commission-Approved DSM Goals (2010-2019)

	Summer Demand Goals (MW)	Winter Demand Goals (MW)	Annual Energy Goals (GWH)
FPL	1,498	605	3,082
DEF	1,134	1,058	3,205
TECO	138	109	360
Gulf	144	110	574
FPUC	4	2	13
OUC	12	9	36
JEA	18	14	155
Total	2,948	1,907	7,425

The Commission's last goal-setting process occurred during 2009. After setting the annual numeric goals, the Commission directed utilities to file DSM plans designed to meet their goals as outlined by Section 366.82(7), F.S. On March 30, 2010, the FEECA utilities filed petitions requesting approval of their respective DSM plan for the 10-year period from 2010 to 2019. OUC, JEA, FPUC, and TECO's proposed plans were approved by the Commission in 2010.⁸ Gulf's proposed plan was approved in February 2011.⁹ The Commission modified and

⁶ See Order No. PSC-09-0855-FOF-EG, in Docket Nos. 080407-EG, 080408-EG, 080409-EG, 080410-EG, 080411-EG, 080412-EG, and 080413-EG, issued December 30, 2009.

⁷ See Order No. PSC-10-0198-FOF-EG, in Docket Nos. 080408-EG and 080413-EG, issued March 31, 2010.

⁸ See Order No. PSC-10-0554-PAA-EG, in Docket No. 100161-EG, issued September 3, 2010; Order No. PSC-10-0609-PAA-EG, in Docket No. 100157-EG, issued October 4, 2010; Order No. PSC-10-0678-PAA-EG, in Docket No. 100158-EG, issued November 12, 2010; Order No. PSC-10-0736-PAA-EG, in Docket No. 100159-EG, issued December 20, 2010.

⁹ See Order No. PSC-11-0114-PAA-EG, in Docket No. 100159-EG, issued February 11, 2011.

approved the plans of FPL and DEF in 2011. The Commission determined that FPL and DEF should continue existing programs due to the determination that these programs would still produce significant energy savings while minimizing the overall increase in the bills of all ratepayers.¹⁰ These orders also clarified how the Commission would view FPL's and DEF's future performance with regard to potential rewards and penalties contemplated under Section 366.82(8), F.S. The Commission decided that neither FPL nor DEF would be eligible for any financial reward unless it exceeds the established goals, nor would either utility be subject to any financial penalty barring failure to achieve savings projected in their approved DSM plans.

2.3 Assessing Goal Achievement

Commission rules require separate goals be set for residential and commercial/industrial (C/I) customers, assigning context to measuring goal achievement within these two primary customer categories. Each utility's achievements in these categories are also combined and compared against total goals as the value of a system's demand and energy savings has no relation to the sector—business or residential—in which the savings occur.

FEECA utilities are required by Rule 25-17.0021, F.A.C., to file annual reports that summarize their individual demand and energy savings for approved DSM plans. Year 2010, was the first year in which goals were revised and the Commission concluded that achievement should be viewed on an annual basis. In a separate analysis, staff used data collected from the utilities through staff data requests to assess the success of cumulative achievements from the 2004 goal setting process combined with annual achievements from the 2009 goal setting process.

Monitoring annual achievements enables the Commission to enhance understanding of which utility programs are working and which may need to be modified. Staff submitted data requests relating to FEECA utilities' ability to meet performance levels; these requests asked utilities to include explanations about factors that prevented them from achieving participation levels, including information specific to which programs in the residential and commercial/industrial sectors contributed to their achieving or falling short of projected participation levels.

Table 9 illustrates 2012 annual residential, C/I and total goal and savings figures for each FEECA utility. The bold numbers indicate instances in which a corresponding utility did not achieve its goals in a particular category.

¹⁰ Order No. PSC-11-0346-PAA-EG, in Docket No. 100155-EG, issued August 16, 2011; and Order No. PSC-11-0347-PAA-EG, in Docket No. 100160-EG, issued August 16, 2011.

Table 9. DSM Goals Compared to Annual (2012) Achievements

Utility	Winter (MW)		Summer (MW)		Annual (GWh)	
	Goals	Reduction	Goals	Reduction	Goals	Reduction
FPL						
Residential	50.3	40.7	90.2	88.5	168.8	140.9
Commercial/Industrial	11.6	30.3	76.3	51.4	191.5	70.1
Total	61.9	71.0	166.5	139.9	360.3	211.0
DEF						
Residential	91.0	73.0	85.0	35.0	277.0	48.0
Commercial/Industrial	11.0	21.0	26.0	28.0	36.0	67.0
Total	102.0	95.0	111.0	63.0	313.0	115.0
TECO						
Residential	10.2	10.9	8.4	9.7	17.7	21.0
Commercial/Industrial	1.4	3.6	4.3	6.3	15.4	10.5
Total	11.6	14.5	12.7	16.0	33.1	31.5
Gulf						
Residential	7.4	19.5	9.4	19.3	40.6	63.7
Commercial/Industrial	0.8	7.6	2.1	14.5	7.7	12.6
Total	8.2	27.1	11.5	33.8	48.3	76.3
FPUC						
Residential	0.1	0.3	0.2	0.5	0.5	1.2
Commercial/Industrial	0.1	0.1	0.2	0.1	0.8	0.2
Total	0.2	0.4	0.4	0.6	1.3	1.4
JEA						
Residential	1.0	3.1	1.2	2.5	5.3	19.2
Commercial/Industrial	0.4	2.1	0.6	1.6	10.1	18.7
Total	1.4	5.2	1.8	4.1	15.4	37.9
OUC						
Residential	0.2	0.5	0.5	0.6	1.8	1.9
Commercial/Industrial	0.7	1.8	0.7	1.7	1.8	7.3
Total	0.9	2.3	1.2	2.3	3.6	9.2

*Bold numbers indicate the utility did not meet its annual goals.

The results of the 2012 achievements towards the 2010 goals illustrated that Gulf, JEA, and OUC surpassed all demand and energy savings goals in every category. FPL, DEF, TECO, and FPUC did not meet goals in every category in 2012. Of the utilities that did not achieve their annual Commission approved goals, most noted that while they failed to meet the goal requirements on an annual level, they were able to meet the requirements on a cumulative level when using both the 2004 and 2009 goal proceeding requirements. The Commission must establish new goals for the FEECA utilities by the end of December 2014. During the new proceedings the Commission will evaluate the FEECA utilities' proposed energy saving targets.

These proposed targets may or may not change, but should reflect what the utilities learned from the prior five-year period. Each utility's performance in 2012 is discussed below.

On a system-wide basis, FPL did not meet annual goals in most categories with the exception of its C/I demand goals and its residential annual energy goals. It should be noted that in Order No. PSC-09-0855-FOF-EG, issued December 30, 2009, in Docket No. 080407-EG, the Commission established annual numeric goals for FPL. FPL's March 30, 2010, initial DSM filing to meet the established goals was insufficient. As a result, the Commission directed FPL to file specific program modifications or additions needed for the company's DSM Plan to comply with the goals established in the Order. FPL filed a modified plan on March 25, 2011, that would modify certain programs to comply with the goals set by the Commission. However, the modified plan, while complying with the Order, would cause a significant increase in the rates paid by FPL customers. Consequently, the Commission directed FPL to continue with approved programs based on its 2004 DSM plan, which yielded significant increases in conservation and decreases in the growth of energy and peak demand. The Commission will set new goals for FPL and the remaining FEECA utilities before the end of December 2014.

DEF did not meet annual goals in most categories with the exception of winter and summer C/I demand reduction and its C/I annual energy goals. In the residential sector, DEF was not able to meet its goals in any category due to lower participation levels, specifically in the Home Energy Check and Home Improvement Programs. In Order No. PSC-09-0855-FOF-EG, issued December 30, 2009, in Docket No 080408-EG, the Commission established annual numeric goals for DEF. DEF's March 30, 2010, initial DSM filing to meet the established goals was insufficient. As a result, the Commission directed DEF to file specific program modifications or additions needed for the company's DSM Plan to reduce the consumer rate impact in addition to the DSM plan to meet the original goals set by the Commission. DEF's modified plan also failed to meet the goals established by the Commission and caused a significant increase in DEF's customer rates. Consequently, the Commission directed DEF to continue with approved programs based on its 2004 DSM plan, which yielded significant increases in conservation and decreases in the growth of energy and peak demand.

TECO surpassed its annual winter demand and summer demand goals. TECO failed to meet its C/I annual energy goal. In response to staff data requests, TECO states that participation in a commercial/industrial program hinges on the need for equipment to be replaced due to failure or planned replacement as a matter of planned retirement. Thus, business decisions will dictate when participation occurs in the commercial/industrial sector. Such decisions could have an effect on whether or not projected goals are achieved. Lastly, TECO explains that the actual savings per participant can vary from one year to the next depending on the size of the commercial/industrial customer. TECO further explains that the number of participants in the commercial/industrial sector is not the only factor for DSM goal achievement. It is the savings per participant that is critical and it is TECO's opinion that the more reasonable approach for evaluating goals is on a cumulative basis, rather than on an annual basis.

Table 9 reflects that Gulf exceeded its winter demand, summer demand, and annual energy goals in every category for both the residential and commercial/industrial sectors. Gulf's

DSM achievements have improved compared to previous years. Furthermore, as shown in Table 4, Gulf's expenditures on DSM have increased significantly since 2010.

FPUC was able to meet its residential winter demand, summer demand and annual energy goals, but fell short of C/I goals in the summer demand and failed to meet its C/I annual energy goals. FPUC explains the lack of participation in some of its commercial programs contributed to its inability to meet its C/I goals. FPUC stated that it will place additional marketing efforts in programs where goals were not achieved.

JEA and OUC exceeded their winter demand, summer demand and annual energy goals on a system-wide basis and exceeded the goals in every category for both residential and C/I customers, as shown in Table 9.

2.4 Additional DSM and Goal Setting Activities

On July 26, 2013, the Commission opened a docket for each FEECA utility to set new goals.¹¹ To meet the statutory requirement that specifies goals are set at least every five years, the Commission must establish goals for the FEECA utilities by December 2014. Once the new goals and plans are approved by the Commission, the IOUs will be required to submit program standards providing detailed descriptions of how each DSM plan is administered; the Commission must approve standards before implementation begins.

On August 23, 2013, FPUC filed a petition requesting to establish its numeric goals by use of a proxy methodology and to waive the filing requirements of the Commission's Order Establishing Procedure (OEP) and be excused from participating in the hearing regarding establishing new goals. FPUC proposed using Gulf as its proxy utility because the two utilities share similar geographic territories and customer bases.

On August, 28, 2013, OUC filed a petition for temporary waiver of Rules 25-17.0021(2) and (3), F.A.C., and stipulation to conservation goals. OUC later withdrew its petition for rule waiver on October 2, 2013, and filed a petition requesting to establish its numeric goals by use of a proxy methodology, similar to the request filed by FPUC. OUC also requested permission to waive the filing requirements of the OEP and to be excused from participating in the hearing regarding establishing new goals.

Both FPUC and OUC stated that costs associated with updating the 2009 Technical Potential Study, performing the subsequent analyses required by the Order Establishing Procedure, and putting on testimony in support of the analyses would represent a hardship to them and their ratepayers due to their small size. On, August 4, 2013, the Commission voted to approve the proxy methodologies and excuse FPUC and OUC from participating in the goal-setting hearing.¹² FPUC will use Gulf as its proxy utility to establish its 2014 goals. For the first five-year period (2015 through 2019), a percentage comparison will be made between Gulf's existing 2009 goals and the goals that will be established for Gulf as a result of the 2014 FEECA proceeding. The percentage difference will be multiplied by FPUC's existing goals to determine

¹¹ See Docket Nos. 130199-EI through 130205-EI.

¹² See Order No. PSC-13-0645-PAA-EU, in Docket Nos. 130204-EM and 130205-EI, issued December 4, 2013.

FPUC's annual numeric conservation goal for the years 2015 through 2019. For the remaining five-year period (2020 through 2024), the values would be based on the average growth rate in annual goals for Gulf, the proxy utility. FPUC is required to submit its goal calculations ten days from the date of the Final Order in which Gulf's goals are established. Furthermore, FPUC is required to file its demand-side management plan within 90 days of the Final Order establishing goals for Gulf, its proxy utility.

OUC will use TECO as its proxy utility to establish its 2014 goals. For the first five-year period (2015 through 2019), a percentage comparison would be made between TECO's existing 2009 goals and the goals that will be established for TECO as a result of the 2014 FEECA proceeding. The percentage difference will be multiplied by OUC's existing goals to determine OUC's annual numeric conservation goal for the years 2015 through 2019. For the remaining five-year period (2020 through 2024), the values will be based on the average growth rate in annual goals for TECO, the proxy utility. OUC is required to submit its goal calculations ten days from the date of the Commission's Final Order in which TECO's goals are established. Furthermore, OUC is required to file its DSM plan within 90 days of the Commission's Final Order establishing goals for TECO, its proxy utility.

During the 2009 goal-setting proceeding, non-numeric goals were established for the investor-owned FEECA utilities which required the utilities to file pilot solar water heating and solar photovoltaic programs. Moreover, the utilities were required to spend ten percent of the average annual recovery through the clause on the development of solar. No non-numeric goals were set for the municipal FEECA utilities. As such, because FPUC and OUC will use proxy methodologies of their respective chosen utilities, each would be required to file updated modified or updated non-numeric goals if the Commission requires such in the 2014 goal setting proceedings.

Solar Programs

FEECA utilities are encouraged pursuant to Section 366.82(2), F.S., to further develop demand-side renewable energy resources. In response to this statute, IOUs were instructed by the Commission to spend 10 percent of their historic energy conservation cost recovery expenditures as an annual cap for solar water heating (WH) and solar photovoltaic (PV) pilot programs.¹³ As part of their proposed DSM plans, each IOU also proposed solar programs, which, with the exception of FPL, were approved by the Commission in 2010; subsequently in 2011, FPL's solar programs were approved. All of these solar programs were approved as "pilots" as the Commission implemented the objectives of 366.82(2), F.S., because none of the programs were determined to be cost-effective. Table 10 represents the Commission approval of utilities' annual expenditures for solar technologies.

¹³ See Order No. PSC-09-855-FOF-EG, in Docket Nos. 080407-EG, 080408-EG, 080409-EG, 080410-EG, 080411-EG, 080412-EG, and 080413-EG, In re: Conservation review of numeric conservation goals.

Table 10. Commission-Approved Annual Expenditures for Solar Technologies

Utility	Commission-Approved Annual Expense
FPL	\$ 15,536,870
Gulf	\$ 900,338
DEF	\$ 6,467,592
TECO	\$ 1,531,018
FPUC	\$ 47,233
Total	\$ 24,483,051

By the end of 2012, FEECA IOU utilities have provided rebates for over 2,300 solar PV and water heating facilities in the residential, commercial, and school sectors combined. Many of the programs offering rebates for installing residential solar PV systems were subscribed to capacity just hours after approval, demonstrating high customer demand for subsidies for this type of solar technology. The subscription rate additionally implies that financial incentives offered to customers who install PV systems could still be effective, even at a reduced incentive level. Solar pilot programs using annual funding also include solar thermal (water heating), energy education and PV panels for schools. Table 11 below further reflects the quantity of PV and solar water heating installations funded by the five IOUs in both residential and commercial sectors.

Table 11. Solar Pilot Program Installations in 2012

Installations	FPL	DEF	TECO	Gulf	FPUC	Total
Residential Solar Water Heating	1,258	384	30	51	2	1,725
Commercial Solar Water Heating	22	N/A	N/A	N/A	N/A	22
Residential Photovoltaic	225	132	70	46	8	481
Commercial Photovoltaic	66	11	N/A	N/A	N/A	77
Total WH/PV Installations	1,571	527	100	97	10	2,305
Total WH/PV Expenditures	\$9,253,594	\$2,785,020	\$1,516,551	\$517,824	\$44,297	\$14,117,286

Section 3. Overview of Florida’s Electricity Market

3.1 Energy Demand in Florida

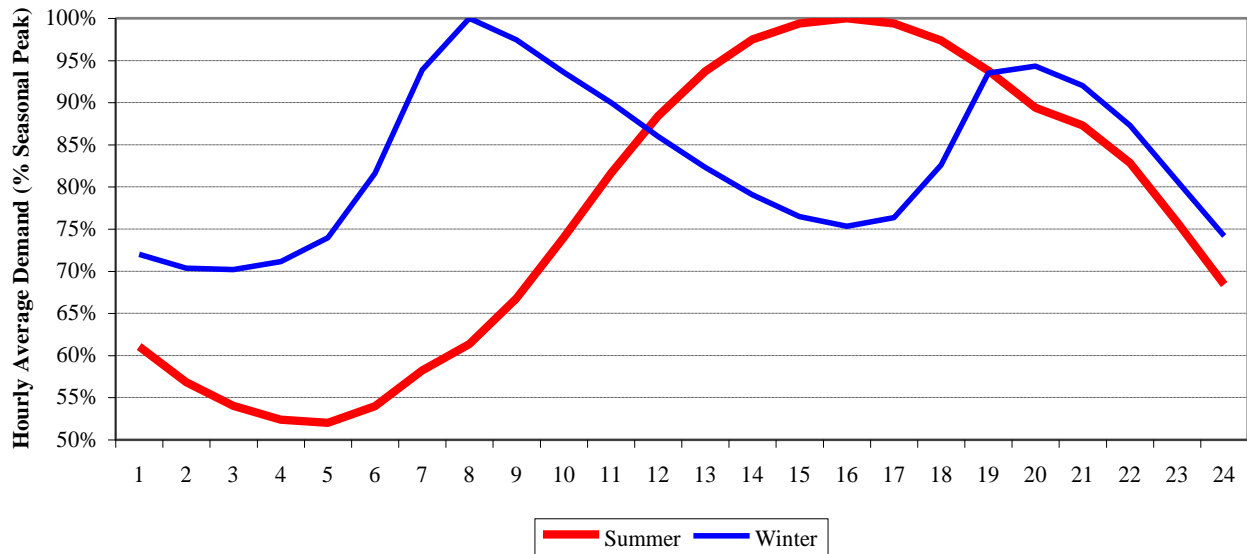
Florida’s total energy consumption ranks among the highest in the country largely because of its sizeable population and climate-induced high demand for cooling. Florida’s unique patterns of electrical demand and energy consumption are the result of the state’s largely residential customer base. Understanding this pattern and why it occurs—high summer air-conditioning loads and electricity use during winter months—is imperative to comprehending the importance of conservation in Florida. Table 12 shows residential customers make up nearly 89 percent of Florida’s electricity customers and purchase 52 percent of its electrical energy. Florida’s commercial electrical usage rates comprise about 38 percent, while industrial customers purchase the remaining 10 percent.

Table 12. Florida’s Electric Customers by Class and Consumption in 2012

Customer Class	Number of Customers	% of Customers	Energy Sales (gigawatt-hours)	% of Sales
Residential	8,421,235	88.7	109,182	52.1
Commercial	1,046,733	11.0	80,216	38.3
Industrial	27,351	0.3	20,293	9.6
Total	9,495,319	100.0	209,691	100.0

The effects of Florida’s high temperatures and humidity include fluctuation in residential customers’ electrical usage throughout the day. In the summer, residential energy use peaks in early evening; in the winter it peaks mid-morning and late evening. These peaks contrast with industrial use, which tends to demonstrate more uniformity throughout the day. These usage patterns cause greater trough to peak variation in the demand for energy consumed in Florida than in other states with more industrial customers.

Figure 1 shows the daily load shape curves for typical Florida summer and winter days. In the summer, air-conditioning demand starts to increase in the morning and peaks in the early evening, a pattern which aligns with the sun’s heating of buildings. In comparison, the winter load curve has two peaks—the largest in mid-morning, followed by a smaller peak in the late evening—both of which correspond to heating loads.

Figure 1. Typical Florida Daily Electric Load Shapes

Florida is typically a summer-peaking state, which means summer peak demand generally controls the amount of generation required. Florida’s 2012 summer peak demand—47,093 MW—surpassed winter peak demand, which was 38,561 MW.

3.2 Florida’s Electric Generating Resources

Electric utilities’ resource-planning process aims to guarantee enough installed capacity is available to meet projected customer demand and provide a contingency reserve. At the point in the planning process that the timing of capacity additions is known, the appropriate technology and fuel type to provide the energy is determined. Generating plants typically are categorized as base load, peaking, or intermediate. Aside from planned outages, base load units operate continuously. Peaking units supplement this power, operating less frequently during high-demand periods. Intermediate units generate power to follow load for periods longer than do peaking units, but not as continuously as base load units. Utility-sponsored conservation programs help to reduce peak demand and energy consumption, offsetting the need for new generating capacity.

Florida’s mix of electric utilities is made up of five IOUs, 33 municipally-owned electric utilities and 18 rural electric cooperatives. Together, these utilities currently have 52,381 MW of summer electric generating capacity and 56,126 MW of winter generating capacity. Non-utility generators in the state provide an additional 5,073 MW of summer electric generating capacity and 5,475 MW of winter generating capacity. Supplementary capacity is purchased from out-of-state utilities over the Florida-Georgia transmission interties.

Historically, Florida’s electric utilities endeavored to achieve fuel diversity by maintaining a balanced fuel supply with a mix of energy generation from coal, nuclear, natural gas, oil, and other sources. However, natural gas usage continues to rise and has been the

preferred new generation capacity fuel. In 2012, natural gas provided 64.8 percent of energy generation. That number is projected to fall to approximately 58.8 percent in 2022. The projected natural gas consumption decline by 2022 may be the result of planned increases in nuclear generation and a limited impact of new environmental compliance requirements.

In an attempt to reduce natural gas consumption, Florida's utilities are encouraged to use other energy resources including renewable energy and nuclear generation. Approximately 1,470 MW of firm and non-firm renewable generation is currently operating in Florida. Approximately 434 MW are considered firm based on either operational characteristics or contractual agreement. Municipal solid waste, biomass, and waste heat represent the majority of Florida's renewable generation. Other major types of renewable generation operating in Florida include hydroelectric, landfill gas and solar.

Florida does not have any new nuclear generation scheduled until 2022, when FPL's Turkey Point Unit 6 is scheduled to come on-line followed by Turkey Point Unit 7 in 2023. Duke has elected to discontinue construction of its Levy Nuclear plants. The utilities' uprates, or increase in the amount of power output, of the five existing nuclear units began May 2012, and resulted in an additional 600 MW of base load capacity in addition to over 2900 MW of summer capacity.

Section 4. Educating Florida's Consumers on Conservation

While the Commission has statutory authority to require conservation efforts by the regulated utilities, as part of the agency's outreach program, the Commission complements these utility efforts with its own conservation related activities. To effectively reach as many consumers as possible, the Commission's consumer education program uses a variety of tools to share conservation information, including the FPSC website, public events, brochure distribution, press releases, Twitter, and e-mail. Conservation information is also available to consumers through other governmental and utility websites. Section 4.1 lists related websites belonging to state and federal agencies, investor-owned electric utilities, and local gas distribution companies to further assist consumers. Most of the data in this section covers January through September 2013, due to the report's publication date.

Electronic Outreach

An assortment of information is available on the FPSC website to help consumers save energy. According to data from Google Analytics, total page views for the entire website for January through October 10, 2013 was 1,048,459. Of these, total page views for the consumer assistance pages accounted for 79,771. One of the more popular website destinations is the FPSC's Conservation House. The interactive graphic provides informative "point and click" conservation tips for the home, helping consumers discover ways to reduce their monthly utility bills. The Conservation House is located at: <http://www.floridapsc.com/consumers/house/>.

The Commission also features several energy conservation brochures online and in print to help consumers save energy. Brochures may be viewed and printed directly from the website, <http://www.floridapsc.com/publications/>, ordered free via an online order system, or requested by mail or phone. From January through September 2013, 73,121 brochures were requested to be sent by mail.

With its interactive design, the FPSC's quarterly *Consumer Connection E-Newsletter* features current energy and water conservation topics, consumer tips, and general Commission information. In text and on video, consumer tips highlighted in 2013 include *Conservation Tips for College Students*, *Love Saving Energy?*, and *Five Ways to Contact the FPSC*. The *Consumer Connection E-Newsletter* is tweeted and sent to interested consumers, who can subscribe to the free newsletter at: <http://www.floridapsc.com/consumers/newsletter/newsletterspublic.aspx>.

Additionally, conservation topics are often highlighted in the FPSC Chairman's monthly *Commission Update* e-newsletter. During 2013, Chairman Ronald A. Brisé's newsletters featured energy and water conservation in several articles, including *Take the FPSC 2013 Energy Saving Challenge*, *Florida's Conservation Initiatives Are Working*, *May Conservation Campaigns Urge Wise Water Ways*, *Meeting Your Energy Needs Line by Line*, and *FPSC Acts on Conservation Message during Energy Action Month*. The Chairman's newsletter is distributed to state and local government officials, tweeted, and can be accessed on the FPSC website, www.FloridaPSC.com, under Hot Topics.

National Consumer Protection Week

National Consumer Protection Week (NCPW), highlighting consumer protection and education efforts, was important to the FPSC's 2013 conservation education efforts. For the 15th Annual NCPW (March 3-9, 2013), Chairman Brisé kicked off the week by hosting a *Love Saving Energy?* press conference highlighting ENERGY STAR appliances at Mays-Munroe, a local Tallahassee appliance store, to bring practical, energy saving ideas to consumers.

Joining the Chairman at the press conference were State Representative Alan Williams; Leon County Commissioner Mary Ann Lindley; Brenda Buchan, Florida Department of Agricultural and Consumer Services; and Mike Munroe, owner of Mays-Munroe Appliance Store. These state and community leaders shared their energy saving practices, along with additional conservation tips to keep consumer energy costs down.

Also during NCPW, FPSC staff made presentations to consumers in Pembroke Pines, Hollywood, Orlando, Kissimmee, Sanford, and Belle Glade, showing them how to save money through energy and water conservation.

Older Americans Month

For the second year, the FPSC participated in Older Americans Month, a national project celebrated each May to honor and recognize older Americans for the contributions they make to their families, communities, and society. *Unleash the Power of Age* was this year's theme, and the FPSC held educational sessions at Florida senior centers in Eustis, Tavares, Groveland, Leesburg, Miami, and Miami Beach, showing seniors ways to conserve energy and water. FPSC staff also attended the Jacksonville Expo, which attracts more than 5,000 seniors. An FPSC article outlining the importance of Older Americans Month, the Commission's outreach activities, and conservation efforts was featured in the January 2013 edition of the Florida Department of Elder Affairs' *Elder Update*.

Energy Action Month

Each October, the U.S. Department of Energy sponsors National Energy Action Month to promote smart energy choices, while also highlighting economic and job growth, environmental protection, and increased energy independence. The FPSC observes Energy Action Month annually with events to promote energy efficiency and conservation.

FPSC Chairman Brisé and Tallahassee Mayor John Marks knocked on several Tallahassee residents' doors to provide homeowners with energy-saving measures and installations—free of charge—during the 2012 Energy Action Month.

At a jointly-sponsored press conference, Chairman Brisé and Mayor Marks highlighted the City of Tallahassee's nationally-recognized REACH program as an example of "energy action." Following the news event, they accompanied a City crew during its scheduled door-to-door visit in a local neighborhood to install energy-saving products, seal leaks, and offer hands-on energy efficiency education. As part of the City's Energy Smart Plus (e+) initiative, Neighborhood REACH helps eligible utility customers save energy and money by

making their homes more energy and water efficient—all at *no cost* to the customer.

Also in October for Energy Action Month, Chairman Brisé and senior staff from the PSC exchanged their suits for jeans and participated in a locally-sponsored Big Bend Habitat for Humanity (BBHH) “build.” By assisting BBHH, the Commission highlighted Habitat’s mission to build energy-efficient, affordable homes for low-income consumers in the community. This event also recognized the National Association of Regulatory Utility Commissioners’ (NARUC) partnership with Habitat for Humanity established in January 2012 as part of its “Anybody Can Serve, So Let’s Conserve” campaign. NARUC Commissioners were encouraged to “volunteer at various Habitat projects around the country and share their expertise on energy issues.”

Community Events

The FPSC continuously seeks existing and new community events, venues, and opportunities where conservation materials can be distributed and discussed with citizens. This year, the FPSC participated in consumer programs and distributed energy and water conservation materials through partnerships with governmental entities, consumer groups, and many other service organizations. Examples of events where conservation information was shared during 2013 include:

- Ambassadors for Aging Day
- Active Living Expo
- Earth Day at the Capitol
- Technology Lifeline Community event in Chipley
- Florida Department of Elder Affairs and Big Bend Task Force’s Falls Prevention Seminar
- Florida Department of Elder Affairs SAFE Homes Program Workshop
- FAMU Developmental Research School
- Northeast Community Action Agency
- Florida Forest Festival
- Jackson County Senior Citizens Organization
- Leroy Clemons Senior Center, Maxwell Senior Center, Orange Park Senior Center; Middleburg/Wiegel Senior Center, Enoch Senior Center, Pinellas Park Senior Center, St. Giles Manor Senior Center, Gadsden County Senior Center, Chattahoochee Senior Center, Green Cove Springs Senior Center, Mid County Senior Center, North County Senior Center, and Sadkin Senior Center

- Marianna Housing Authority, Renaissance at Washington Ridge Housing Authority, Manor at West Bartow Housing Authority, Villas of Lake Bonnet Housing Authority, and Colton Meadow Housing Authority
- Community Days in the cities of Jacksonville, Pembroke Pines, and Miami
- Senior Days in Lake Jackson, Miccosukee, Bradfordville, Ft. Braden, Jake Gaither Park, and Woodville

Hearings and Customer Meetings

As an ongoing outreach initiative, the Commission supplies conservation brochures to consumers at FPSC hearings and customer meetings across the state. From January through September 2013, Commission staff distributed information and addressed consumer questions at 15 FPSC public hearings and meetings. Consumers who file a complaint with the Commission about high electric or natural gas bills also receive conservation information.

Library Outreach Program

Each year, the FPSC provides educational brochures to Florida public libraries for consumer distribution. This year, the Commission increased its Library Outreach Campaign participants from 333 to 583, to provide library patrons with FPSC publications that feature practical energy and water conservation tips. Following the Campaign, many additional publication requests from program participants have been filled.

In 2013, over 42,359 brochures were sent to, or requested by, Florida's libraries. Past annual survey results from library administrators indicate their continuing support for the program and their willingness to partner with the Commission on future outreach projects.

Media Outreach

News releases are distributed to the media on major Commission decisions, meetings, and public events. The Office of Consumer Assistance & Outreach also issues news releases urging conservation. For instance, in March a release touted the federal government's *Fix a Leak Week*, where several water and energy conservation strategies were shared. In April, a release to promote conservation on Earth Day and every day was shared with consumers, agencies, local organizations, and businesses. In May, the Commission published a release on the growing number of Floridians and businesses using renewables to generate their own electricity and a release for Older Americans Month outlining the importance of seniors learning to conserve resources and save money.

Each month in 2013, the PSC issued a press release offering energy saving tips for consumers as a tribute to the Florida's Viva 500 anniversary celebration. Residents who participate in the PSC's monthly *Energy Saving Challenge* can save 500 kilowatt hours or more of energy through December 2013, saving customers' money and saving the state's resources.

Recognizing the PSC as a Viva Florida 500 partner, Florida Secretary of State Ken Detzner said, “The PSC’s Energy Challenge will help future generations of Floridians enjoy the great state we call home.”

Youth Education

The Commission emphasizes conservation education for Florida’s young consumers. In 2013, the FPSC participated in the Earth Day celebration at the Florida Capitol, and staff provided students and their teachers with energy and water conservation tips to use on campus and at home.

During 2013, the FPSC continued to produce its *Get Wise and Conserve Florida!* student resource booklet to teach children about energy and water conservation. The booklet has been distributed to all public libraries through the Library Outreach Program and is available at all Commission outreach events. The student resource book has also become a favorite during senior events.

Two conservation plays, *Turn It On, Turn It Off* and *Water Wiser*, were developed by the FPSC to be performed by teen drama groups or young school children for their classmates, thereby increasing the students’ interest in learning about conservation. The FPSC helped produce both plays in recent years, and the Commission continues to work with school programs interested in producing these plays. Both plays are included in the *Arts in Education Directory*, produced by the Tallahassee-Leon County Council on Culture and Arts, that serves as a resource guide for teachers seeking information about educational programs available in the area.

4.1 Related Web Sites

State Agencies and Organizations

Florida Public Service Commission – <http://www.floridapsc.com/>

Florida Department of Environmental Protection – <http://www.dep.state.fl.us>

The Office of Energy – <http://www.freshfromflorida.com/Divisions-Offices/Energy>

Florida Solar Energy Center – <http://www.fsec.ucf.edu/>

Florida Weatherization Assistance – <http://www.floridajobs.org/job-seekers-community-services/community-services/weatherization-assistance-program>

Florida's Local Weatherization Agencies List – <http://www.floridajobs.org/job-seekers-community-services/community-services/weatherization-assistance-program/contact-your-local-weatherization-office-for-help>

U.S. Agencies and National Organizations

National Energy Foundation – <http://www.nef1.org/>

U.S. Energy Star Program – <http://www.energystar.gov/>

U.S. Department of Energy – Energy Efficiency and Renewable Energy Information - <http://www.eere.energy.gov/>

U.S. Department of Energy – Consumer Energy Efficiency Tips – http://www.eere.energy.gov/consumer/your_home/

Florida's Electric Utilities Subject to FEECA

Florida Power & Light Company – <http://www.fpl.com>

Florida Public Utilities Company – <http://www.fpuc.com/>

Tampa Electric Company – <http://www.tampaelectric.com/>

Gulf Power Company – <http://www.gulfpower.com/>

Duke Energy Florida, Inc. – <http://www.duke-energy.com/>

Orlando Utilities Commission – <http://www.ouc.com/>

JEA – <http://www.jea.com/>

Florida's Investor-Owned Natural Gas Utilities

Chesapeake Utilities Corporation (Central Florida Gas) – <http://www.cfgas.com/>

Florida City Gas – <http://www.floridacitygas.com/>

Florida Public Utilities Company – <http://www.fpuc.com/>

Peoples Gas System – <http://www.peoplesgas.com/>

St. Joe Natural Gas Company – <http://www.stjoenaturalgas.com/>

Appendix 1. Conservation Activities of FEECA Utilities

A. Florida Power & Light Company

Residential Programs

Residential Building Envelope. This program encourages qualified customers to install energy-efficient building envelope measures that cost-effectively reduce FPL's coincident peak air-conditioning load and customer energy consumption.

Duct System Testing and Repair Program. This program identifies air conditioning duct system leaks and has qualified contractors repair those leaks.

Residential Air Conditioning Program. This program provides financial incentives for residential customers to purchase a more efficient unit when replacing an existing air conditioning system.

Residential Load Management Program (On Call Program). This program offers voluntary load control to residential customers.

Residential New Construction Program (BuildSmart). The program's objective is to encourage the design and construction of energy-efficient homes that cost-effectively reduce FPL's coincident peak load and customer energy consumption.

Residential Low Income Weatherization Program. This program employs a combination of energy audits and incentives to encourage low-income housing administrators to perform tune-ups of Heating and Ventilation Air Conditioning (HVAC) systems and install reduced air infiltration energy efficiency measures.

Commercial/Industrial Programs

Business Heating, Ventilating, and Air Conditioning Program. This program reduces the current and future growth of coincident peak demand and energy consumption of business customers by increasing the use of high efficiency heating, ventilating and air conditioning (HVAC) systems.

Business Efficient Lighting. This program encourages the installation of energy efficient lighting measures in business facilities.

Business Customer Incentive. This program assists FPL's business customers achieve electric demand and energy savings that are cost-efficient to all FPL customers. FPL provides incentives to qualifying customers who purchase, install, and successfully operate cost-effective energy efficiency measures not covered by other FPL programs.

Business Building Envelope Program. This program encourages eligible business customers to increase the efficiency of the qualifying portion of their building's envelope to reduce HVAC energy consumption and demand.

Business On Call Program. This program offers voluntary load control of central air conditioning to General Service and General Service Demand customers.

Commercial Demand Reduction. This program reduces coincident peak demand by controlling customer loads of 200 kW or greater during periods of extreme demand or capacity shortages.

Business Energy Evaluation. This program provides evaluations of business customers' existing and proposed facilities and encourages energy efficiency by identifying DSM opportunities and providing recommendations to the customer.

Commercial/Industrial Load Control. This program reduces coincident peak demand by controlling customer loads of 200 kW or greater during periods of extreme demand or capacity shortages.

Cogeneration and Small Power Production. This program facilitates the installation of cogeneration and small power production facilities.

Business Water Heating. This program encourages business customers to install qualifying Heat Recovery Units (HRU) or Heat Pump Water Heater (HPWR) equipment.

Business Refrigeration Program. This program encourages eligible business customers to install energy-saving equipment to reduce or eliminate the use of electric heating elements needed to prevent condensation on display case doors and to defrost freezer doors.

Research and Development and Pilot Programs

Conservation Research and Development Program. This program evaluates emerging conservation technologies to determine which are worthy of further evaluation as candidates for program development.

Residential Thermostat Load Control Pilot Project. This project provides participating residential customers a programmable thermostat and the option of overriding FPL's control of their central air conditioning and heating appliances via telephone or the Internet.

B. Duke Energy Florida, Inc.

Residential Programs

Home Energy Check. This program provides Duke Energy Florida Inc.'s (DEF) residential customers with an analysis of energy consumption and recommendations on energy efficiency improvements. Acting as a motivational tool to identify, evaluate, and inform consumers on cost effective energy saving measures, the Home Energy Check is the foundation of the residential Home Energy Improvement program and is a program requirement for participation. Seven types of energy audits are available: the free walk-through, the paid walk-through (\$15 charge), the energy rating (Energy Gauge), the mail-in audit, an Internet option, a phone-assisted audit, and a student audit.

Home Energy Improvement. This efficiency program provides existing residential customers incentives for energy efficient heating, air conditioning, insulation upgrades, duct leakage repair, reflective roofing products, high performance windows, window film, and solar screens.

Low-Income Weatherization Assistance Program. This program's goal is to integrate DEF's DSM program measures with the Department of Community Affairs (DCA) and local weatherization providers to deliver energy efficiency measures to low-income families. Through this partnership, DEF assists local weatherization agencies by providing energy education materials and financial incentives to weatherize the homes of low-income families.

Energy Management (Residential and Commercial). This load management program incorporates direct radio control of selected customer equipment to reduce system demand during peak capacity periods and/or emergency conditions by temporarily interrupting selected consumer appliances for special periods of time. Customers have a choice of options and receive a credit on their monthly electric bills depending on the options selected and their monthly kWh usage.

Neighborhood Energy Saver. This program assists low-income families with escalating energy costs by implementing a comprehensive package of electric conservation measures at no cost to eligible customers. In addition to installing these measures, DEF seeks to achieve three important goals: educate participating families on proper energy efficiency techniques and best practices, change their energy-use behavior, and manage their energy usage.

Renewable Energy Program. This program consists of two areas that are designed to encourage the installation of renewable energy systems:

(1) Solar Water Heater with EnergyWise. This measure encourages residential customers to install a solar thermal water heating system. The customer must have whole house electric cooling, electric water heating and electric heating to be eligible for this program.

(2) Solar Photovoltaics with EnergyWise. This measure promotes environmental stewardship and renewable energy education through the installation of solar energy systems at schools within DEF's service territory. Customers participating in the Winter-Only EnergyWise

or Year-Round EnergyWise Program can elect to donate their monthly credit toward the Solar Photovoltaics with EnergyWise Fund.

All proceeds collected from participating customers and their associated monthly credits, are used to promote photovoltaics and renewable energy educational opportunities.

Commercial/Industrial Programs

Business Energy Check. This free audit for non-residential customers can be completed at the facility by an auditor or online by the business customer. A paid audit provides a more thorough energy analysis for non-residential facilities. The program acts as a motivational tool to identify, evaluate, and inform consumers on cost-effective energy saving measures for their facilities. The Business Energy Check is the foundation of the Better Business Program and a requirement for participation.

Better Business. This efficiency program provides incentives to existing commercial and industrial customers for heating, air conditioning, motors, water heaters, roof installation upgrade, direct leakage and repair, window film, cool roof, and lighting.

Commercial/Industrial New Construction. This efficiency program provides incentives for the design and construction of energy efficient commercial and industrial facilities, including energy efficient heating, air conditioning, motors, water heating, window film, insulation, leak free ducts, cool roof, and lighting.

Innovation Incentive. The program encourages conservation efforts that are not supported by DEF's other programs. Major equipment replacement or other actions that substantially reduce DEF's peak demand requirements are evaluated to determine their impact on DEF's system. If cost-effective, these actions may qualify for an economic incentive in order to shorten the payback time of the project.

Standby Generation. This program provides an incentive for customers to voluntarily operate their on-site generation during times of system peak.

Interruptible Service Program. This program is a rate tariff which allows DEF to switch off electrical service to customers during times of capacity shortages. The signal to operate the automatic switch is operated by the Energy Control Center. In return for this interruption, the customers receive a monthly rebate on their kW demand charge.

Curtable Service Program. This program is a dispatchable DSM program in which customers contract to curtail or shut down a portion of their load during times of capacity shortages. The curtailment is done voluntarily by the customer when notified by DEF. In return for this cooperation, the customer receives a monthly rebate for the curtable portion of their load.

Technology Development Program. This program allows DEF to undertake certain development and demonstration projects which have promise to become cost-effective conservation and energy efficiency programs.

C. Gulf Power Company

Residential Programs

GoodCents Select Program. This program provides the customer with a means of conveniently and automatically controlling and monitoring his/her energy purchases in response to prices that vary during the day and by season in relation to Gulf's cost of producing or purchasing energy.

Residential Geothermal Heat Pump Program. The program's purpose is to reduce the demand and energy requirements of new and existing residential customers through the promotion and installation of geothermal systems.

Residential Energy Survey Program. This program offers energy conservation advice to individuals and contractors building new homes. In addition the program advises existing residential customers to implement efficiency measures resulting in energy savings. Owners of existing homes may choose to have a Gulf Power representative conduct an on-site survey of their home, or they may opt to participate in either a mail-in or online interactive version of the survey, the Energy Check Up. Qualifying new home owners and contractors may request a survey of their final construction plans. Regardless of the option chosen, these surveys provide customers with specific whole-house energy recommendations.

Commercial Programs

GoodCents Commercial Buildings Program. This program educates commercial and industrial customers on the most cost-effective methods of designing new and improving existing buildings. The program stresses efficient heating and cooling equipment, improved thermal envelope, operation and maintenance, lighting, cooking, and water heating. Field representatives work with architects, engineers, consultants, contractors, equipment suppliers, building owners, and occupants to encourage them to make the most efficient use of all energy sources and available technologies.

Commercial Geothermal Heat Pump Program. The program's objective is to reduce the demand and energy requirements of new and existing commercial/industrial customers through the promotion and installation of advanced and emerging geothermal systems.

Commercial/Industrial Energy Analysis. This program provides advice to Gulf Power's existing commercial and industrial customers on how to reduce and make the most efficient use of energy. The program includes semi-annual and annual follow-ups with the customer to verify conservation measures installed and to reinforce the need to continue with more conservation efforts. Customers may participate by requesting a basic Energy Analysis Audit through either an on-site survey or a direct mail survey. A more comprehensive analysis can be provided through a Technical Assistance Audit.

Energy Services Program. This program establishes the capability and process to offer advanced energy services and energy efficient end-use equipment customized to meet the individual needs of large customers. Potential projects are evaluated on a case-by-case basis and must be cost-

effective to qualify for incentives or rebates. Types of projects covered under this program include demand reduction or efficiency improvement retrofits, such as lighting (fluorescent and incandescent), motor replacements, HVAC retrofit (including geothermal applications), and new electro-technologies.

Research and Development Programs

Conservation Demonstration and Development. This package of conservation programs explores and pursues research, development, and demonstration projects to promote energy efficiency and conservation. The program serves as an umbrella program for the identification, development, demonstration, and evaluation of new or emerging end-use technologies.

Renewable Energy. This program encompasses a variety of voluntary renewable and green energy programs under development by Gulf Power. The voluntary pricing options for customers include, but are not limited to, EarthCents Solar (Photovoltaic Rate Rider) and the Solar for Schools program. In addition, the renewable energy program includes expenses necessary to prepare and implement a green energy pilot program using landfill gas, wind, solar, or other renewable energy sources.

D. Tampa Electric Company (TECO)

Residential Programs

Residential Energy Audits. On-site audits of premises, online audits, and telephone surveys instruct customers how to use conservation measures and practices to reduce their energy usage.

Duct Repair. This program reduces weather-sensitive peaks by offering incentives to encourage the repair of the air distribution system in a residence.

Heating and Cooling Program. This program reduces weather-sensitive peaks of residential customers by providing incentives for the installation of high efficiency heating and air conditioning equipment at existing residences.

Residential Building Envelope Improvement. This program reduces demand and saves energy by decreasing the load on residential air conditioning and heating (HVAC) equipment. Eligible customers can receive incentives to add ceiling insulation exterior walls, window replacements and window film.

Prime Time Program. This load management program directly controls the larger loads in residential customers' homes such as air conditioning, water heating, electric space heating, and pool pumps. Participating customers receive monthly credits on their electric bills. The program is currently closed to new participants.

Renewable Energy Initiative. This program assists in the delivery of renewable energy for TECO's Renewable Energy Program by providing funding for program administration, evaluation, and market research.

Price Responsive Load Management. This program reduces weather sensitive peak loads by offering a multi-tiered rate structure as an incentive for participating customers to reduce their electric demand during high cost or critical periods of generation.

Residential Low-Income Weatherization. This program saves demand and energy by decreasing the energy consumption at a residence. The program is aimed at low-income customers and provides, at no cost to qualified customers, the following: eight compact fluorescent lamps, one water heater wrap, three low-flow faucet aerators, two showerheads, a window (HVAC) weather-stripping kit, wall plate thermometers, HVAC filters, weather-stripping, caulking, and ceiling insulation (up to R-19).

Educational Energy Awareness – Pilot. This program saves demand and energy by increasing customer awareness of available conservation measures and practices that can reduce the individual's energy use. TECO partners with schools within its service area at the eighth grade level to teach students the benefits of energy efficiency.

Energy Plus Homes. This program encourages new home construction to be above the minimum energy efficiency levels required by the State of Florida Energy Efficiency Code for New

Construction through the installation of high efficiency equipment and building envelope options.

Commercial Programs

Cogeneration. This program encourages the development of cost-effective commercial and industrial cogeneration facilities through the evaluation and administration of standard offers and the negotiation of contracts for the purchase of firm capacity and energy.

Commercial Cooling. The purpose of this program is to encourage the installation of high efficiency direct expansion (DX) commercial air conditioning equipment.

Commercial Lighting. This program reduces weather-sensitive peaks by encouraging investment in more efficient lighting technology in commercial facilities.

Commercial Load Management. This load management program's purpose is to achieve weather-sensitive demand reductions through load control of equipment at the facilities of firm commercial customers.

Standby Generator. This program uses the emergency generation capacity at firm commercial and industrial facilities to reduce weather-sensitive peak demand.

Conservation Value. This incentive program for firm commercial and industrial customers encourages additional investments in substantial demand shifting or demand reduction measures.

Industrial Load Management. This program is for large industrial customers with interruptible loads of 500 kW or greater.

Commercial Duct Repair. This program reduces weather-sensitive peaks by offering incentives to encourage the repair of the air distribution system in a facility.

Commercial Building Envelope Improvement. This program saves demand and energy by decreasing the load on air conditioning and heating (HVAC) equipment. Eligible customers can receive incentives to add ceiling insulation, exterior wall insulation, and window film.

Commercial Efficient Motors. This program encourages commercial/industrial customers to install premium-efficiency motors in new or existing facilities through incentives. The program aims to reduce the growth of peak demand and energy by encouraging customers to replace worn out, inefficient equipment with high efficiency equipment that exceeds minimum product manufacturing standards.

Research and Development

A five-year Research and Development program is directed at end-use technologies (both residential and commercial) not yet commercially available, where insufficient data exists for measure evaluations specific to Central Florida climate.

E. Florida Public Utilities Company

Residential Programs

Geothermal Heat Pump Program. This program reduces the demand and energy requirements of new and existing residential customers through the promotion and installation of advanced and emerging geothermal systems.

Residential Heating and Cooling Efficiency Upgrade. The purpose of this program is to reduce the rate of growth in peak demand and energy throughout the company's service territories by increasing the number of high-efficiency heat pumps.

GoodCents Home/Energy Star Program. This program provides guidance concerning energy efficiency in new construction by promoting energy efficient home construction techniques and by evaluating the energy efficient components of design and construction.

GoodCents Energy Survey Program. The program promotes the installation of cost-effective conservation measures by giving the customer specific whole-house recommendations regarding energy efficiency. The survey process also checks for possible duct leakage.

Residential Ceiling Insulation Upgrade Program. This program reduces peak demand and energy consumption by decreasing the load presented by the residential air-conditioning and heating equipment. Customers are required to add at least R-11 of ceiling insulation to qualify for a \$100 incentive in the form of an Insulation Certificate that may be applied to the total cost of installing the added ceiling insulation.

Commercial Programs

GoodCents Commercial Building Program. This program addresses the most common critical areas in commercial buildings affecting summer peak kW demand: thermal efficiency of the building and HVAC equipment efficiency. In addition, the program is designed to ensure that buildings are constructed with energy efficiency levels above the Florida Model Energy code standards.

GoodCents Commercial Technical Assistance Audit. This program is an interactive program that assists commercial customers in identifying advanced energy conservation opportunities. Customers receive an on-site review of the facility operation, equipment, and energy usage pattern by a Florida Public Utilities Company Conservation Specialist. In addition, a technical evaluation is performed to determine the economic payback or life cycle cost for various improvements to the facility.

Commercial Indoor Efficient Lighting Rebate Program. This program reduces peak demand and energy consumption by decreasing the load presented by commercial lighting equipment. The program requires that commercial customers achieve at least 1,000 watts of lighting reduction from any lighting source that has been retrofitted with a more efficient fluorescent lighting

system (ballasts and lamps). By doing so, customers qualify for an incentive of \$0.10 per watt reduced.

Educational and Research Programs

Low Income. This program provides low-income customers with basic energy education and informs the customers of specific services offered by the utility.

Affordable Housing Builders and Providers. This program encourages affordable housing builders to attend educational seminars and workshops related to energy efficient construction, retrofit programs, financing programs, and the GoodCents Home program. The company works with the Florida Energy Extension Service and other seminar sponsors to offer a minimum of two seminars and/or workshops per year.

Conservation Demonstration and Development (CDD). The program pursues research, development, and demonstration projects that are designed to promote energy efficiency and conservation.

F. Orlando Utilities Commission

Residential Programs

Residential Energy Survey Program. This program provides residential customers with recommended energy efficiency measures and practices. The program consists of three measures: the Residential Energy Walk-Through Survey, the Residential Energy Survey Video and DVD, and an interactive Online Home Energy Audit.

Duct Repair Rebate Program. The purpose of this program is to encourage customers to repair leaking ducts on existing systems. Customers will receive up to a \$150 rebate for duct repairs on their homes.

Ceiling Insulation Rebate Program. This program is offered to residential customers to encourage them to upgrade their attic insulation. Customers will receive a \$100 rebate for upgrading their attic insulation to R-19 or higher.

Window Film/Solar Screen Rebate Program. This program is designed to encourage customers to install solar shading on their windows. Customers will receive up to a \$100 rebate for installation of solar shading film with a shading coefficient of 0.5 or less.

High Performance Windows Rebate Program. This program is designed to help minimize heating, cooling, and lighting costs. The high performance windows rebate program is designed to encourage customers to install windows that will improve energy efficiency in their homes. Customers will receive a \$1 rebate per square foot (up to \$250) for the purchase of ENERGY STAR® rated energy efficient windows.

Caulking and Weather Stripping Rebate Program. This program is designed to encourage customers to caulk and weather-strip their homes. Customers will receive a rebate of 50 percent of the cost (up to \$50) for the caulking and weather-stripping of their homes.

Wall Insulation Rebate Program. This program is designed to encourage customers to insulate the walls of their homes. Customers will receive a rebate of \$300 for wall insulation.

Cool/Reflective Roof Rebate Program. This program is designed to encourage customers to install new roofing to help insulate their homes. Customers will receive a rebate of \$150 for ENERGY STAR® cool/reflective roofing that has an initial solar reflectance greater than or equal to 0.70.

Home Energy Fix-Up Program. This program is available to customers with a total annual family income of \$35,000 or less. Each customer must request and complete a free Residential Energy Survey. OUC will arrange for a licensed, approved contractor to perform the necessary repairs and will pay 85 percent of the total cost, not to exceed \$2,000. The remaining 15 percent can be paid directly or over an interest-free 12-month period on the participant's monthly electric bill.

Efficient Electric Heat Pump Rebate Program. This program provides rebates to qualifying customers in existing homes who install heat pumps having a seasonal energy efficiency ratio (SEER) of 14.0 or higher.

Commercial Programs

Commercial Energy Survey Program. The purpose of this program is to focus on increasing energy efficiency and energy conservation in commercial buildings. A free survey comprised of a physical walk-through inspection of the commercial facility performed by experienced energy experts is included.

Commercial Indoor Lighting Retrofit Program. The program reduces energy consumption for the commercial customer through the replacement of older fluorescent and incandescent lighting with newer, more efficient lighting technologies.

Commercial OUConsumption Online Program. This program enables businesses to check their energy use and demand from a desktop computer, allowing business owners to manage their energy load. Participants must cover a one-time program set-up fee of \$45, a \$45 monthly fee per meter for the service, and the cost of additional infrastructure (ranging between \$0 and \$500) at the meters, which may be required.

Commercial OUConvenient Lighting Program. This program provides complete outdoor lighting services for commercial applications, including industrial parks, sports complexes, and residential developments. Each lighting package is customized for each participant, allowing the participant to choose among light fixtures. Upfront financial costs and maintenance are controlled by Orlando Utilities. The participant then pays a low monthly fee for each fixture. Orlando Utilities also retrofits existing fixtures to new light sources or higher output units. New agreements have allowed this program to expand into neighboring communities like Clermont, Oviedo, and Brevard County.

Commercial Power Quality Analysis Program. This program gives Orlando Utilities the ability to ensure the highest possible power quality to commercial customers. The program's goals include making the maximum effort to solve power quality problems through monitoring and interpretive analysis, identifying solutions that will lead to corrective action, and providing ongoing follow-up services to monitor results.

Commercial Infrared Inspections Program. The purpose of this program is to help customers uncover potential reliability and power quality problems. The infrared inspection detects thermal energy and measures the temperature of wires, breakers, and other electrical equipment components. The information is transferred into actual images and those images reveal potential problem areas and hot spots that are invisible to the naked eye.

OUCooling. Funded originally in 1997, this program allows Orlando Utilities to fund, install and maintain a central chiller plant for each business district participating under the program. Benefits to the businesses are lower energy consumption, increased reliability, no environmental risks associated with the handling of chemicals, avoided initial capital cost, lower maintenance

costs, a smaller mechanical room, no insurance requirements, improved property resale value, and availability of maintenance personnel for other duties.

G. JEA

Residential Programs

Residential Energy Audit Program. Uses auditors to examine homes, educate customers and make recommendations on low-cost or no-cost energy-saving practices and measures.

Residential Energy Efficient Products. This program promotes the use of energy efficient lighting and other energy efficient products in homes by offering a financial incentive. JEA includes messaging concerning the proper disposal of bulbs containing mercury.

Green Built Homes of Florida. This program encourages the application of energy efficient construction and products in new homes by offering a financial incentive to builders and developers.

Residential Solar Water Heating. This program offers a financial incentive to customers to encourage the use of solar water heating technology.

Residential Solar Net Metering. This program promotes the use of solar photovoltaic systems by purchasing excess power from residential customers implementing these systems.

Neighborhood Efficiency Program. This program offers education concerning the efficient use of energy and water as well as the direct installation of an array of energy and water efficient measures at no cost to income qualified customers.

Commercial Programs

Commercial Energy Audit Program. This program uses auditors to examine the businesses, educate customers, and make recommendations on low-cost or no-cost energy-saving practices and measures.

Commercial Energy Efficient Products. This program promotes the use of energy efficient lighting and other energy efficient products in businesses by offering a financial incentive. JEA includes messaging concerning the proper disposal of bulbs containing mercury.

District Chilled Water Program. This program utilizes district chilled water to reduce energy costs, other operating costs as well as capital costs.

Commercial Solar Net Metering. This program promotes the use of solar photovoltaic systems by purchasing excess power from commercial customers implementing these systems.

II. Outside Persons Who Wish to Address the Commission at Internal Affairs

***OUTSIDE PERSONS WHO WISH
TO ADDRESS THE COMMISSION AT***

***INTERNAL AFFAIRS
January 23, 2014***

<u>Speaker</u>	<u>Representing</u>	<u>Item #</u>
Matt McCaffree	National Association of Water Companies	1

III. Supplemental Materials Provided During Internal Affairs

The records reflect that there were no supplemental materials provided to the Commission during this Internal Affairs meeting.

IV. Transcript

1
2 BEFORE THE
3 FLORIDA PUBLIC SERVICE COMMISSION
4
5
6
7
8

9 PROCEEDINGS: INTERNAL AFFAIRS

10 COMMISSIONERS
11 PARTICIPATING: CHAIRMAN ART GRAHAM
12 COMMISSIONER LISA POLAK EDGAR
13 COMMISSIONER RONALD A. BRISÉ
14 COMMISSIONER EDUARDO E. BALBIS
15 COMMISSIONER JULIE I. BROWN

16 DATE: Thursday, January 23, 2014

17 TIME: Commenced at 9:30 a.m.
18 Concluded at 11:01 a.m.

19 PLACE: Gerald L. Gunter Building
20 Room 105
21 2540 Shumard Oak Boulevard
22 Tallahassee, Florida

23 REPORTED BY: JANE FAUROT, RPR
24 Official FPSC Reporter
25 (850) 413-6732

P R O C E E D I N G S

1
2 **CHAIRMAN GRAHAM:** Let the record show it is
3 Thursday, January the 23rd, and this is the Internal
4 Affairs meeting.

5 Welcome, everybody. I'm glad you got here
6 safely.

7 Let's start with the agenda. The first thing
8 is we have a presentation by NAWC. Who's doing that?
9 Come on down.

10 **MR. McCAFFREE:** All right.

11 **COMMISSIONER EDGAR:** You made it.

12 **MR. McCAFFREE:** I made it.

13 **COMMISSIONER EDGAR:** Good.

14 **MR. McCAFFREE:** It's great to be here.

15 Mr. Chairman, Commissioners, thank you very
16 much for having me here. And on behalf of NAWC and the
17 members, I appreciate the opportunity to talk about some
18 of these important issues that we're facing and some of
19 the challenges, and really some of the policy items that
20 have happened in the last, you know, 18 to 24 months.

21 On a personal note, I know that everyone down
22 here thinks that it's cold --

23 (Laughter.)

24 **MR. McCAFFREE:** -- but thank you for rescuing
25 me from 8 degrees in Washington, D.C. We might consider

1 doing this on an annual basis.

2 (Laughter.)

3 **MR. McCAFFREE:** But we can talk about that
4 afterwards.

5 You know, I really, you know, wanted to talk
6 about some of the challenges that, you know, I'm sure
7 that you all are familiar with, but I'd offer that as a
8 prelude to some of the developments that have happened
9 at a state level and at the national level at the NARUC
10 Water Committee and some of the resolutions that have
11 recently been adopted.

12 2013 was really an important year in some of
13 these, some of the progress that has been made on the
14 policy front. So I just wanted to have the opportunity
15 to talk about that and field any questions that you
16 might have. Of course, you know, if you have any
17 questions throughout the presentation, please stop me
18 and I'll be happy to address those then.

19 Just looking at the agenda really quickly.
20 I'll talk about NAWC, give a brief introduction, give a
21 quick overview of the water sector and water itself and
22 the water service itself, and then go into the industry
23 challenges, primarily the perennial challenges that we
24 are facing. But, you know, how things are kind of
25 moving and the direction that we seek. Then the

1 regulatory responses to those challenges and, like I
2 said, some of the developments that have happened in
3 2013 and 2012.

4 And, finally, you know, I'd like to end on the
5 importance of the regulatory environment, because I
6 think that that really underpins everything that is
7 happening and the discussions that have happened at the
8 state level and at the national level.

9 First of all, the National Association of
10 Water Companies. We are a trade association that
11 represents all aspects of the private water services
12 industry. So it's not just the regulated water
13 companies, but those companies that participate in
14 public/private partnerships or that operate and contract
15 with municipal utilities to operate and, in some cases,
16 build their water system.

17 About one in four Americans receive water
18 service from one of these companies, 73 million
19 Americans. And private water companies own and operate
20 about 17 percent of the nation's community water
21 systems. So the structure, industry structure is
22 approximately inverse of what you have for electric
23 service, where you have the majority of the citizens in
24 the U.S. served by private electric companies.

25 The majority of the U.S. is served by

1 municipal systems, and about 17 percent by private
2 companies. And then there is well service, that's about
3 13 or 14 percent of the population.

4 We have different member services. I'm Matt
5 McCaffree, Director of State Regulatory Relations, and I
6 head up our regulatory efforts. We also have government
7 affairs, member services, communications, et cetera.

8 So let's talk about water. I think everyone
9 in this room understands the importance of water. It's
10 the lifeblood to our economy. You can't have anything
11 without water service. You can't have a school, a
12 church, a business, a home, for all intents and
13 purposes, without receiving some sort of water service.

14 And it obviously plays this key role in
15 society; not just public health, and it's something that
16 you ingest. It's the only utility service that's
17 ingested. But public safety, fire protection is a big
18 portion of the infrastructure investment and
19 infrastructure concerns of a water service company.

20 It's environmentally regulated with the
21 baseline set by the EPA and then enforcement happens by
22 the state DEPs, and it has to be safe regardless of
23 cost. Safety and reliability are primary concerns in
24 providing service.

25 There isn't a federal agency that oversees

1 kind of trade and economic regulation of water like you
2 have for electricity, for example, or communications.
3 So it really comes down to federalism practice and how
4 the states are engaging on this infrastructure and
5 service issues for water service companies. And all
6 utilities are subject to the same environmental
7 compliance set by the EPA.

8 Now, the different states can decide to have
9 stricter requirements for larger utilities versus
10 smaller utilities, but that baseline is set by the EPA.
11 And these EPA standards are increasing over time, and
12 that's a good thing. You have safer water today than we
13 had 20 years ago versus 30 years ago. And while we have
14 safer water, that comes at a cost. And that comes at
15 this increasing capital requirement year over year for
16 utilities.

17 Water itself is costly to transport, it can't
18 be compressed, and there are no substitutes. So that
19 means that the water services and the water issues are
20 local. At the price point right now, because it's an
21 affordable service, it makes more sense for utilities to
22 look to their local water sources. And, you know, here
23 in Florida the majority of systems are groundwater,
24 90-plus percent, and that means that you can have --
25 because they are drawing on local sources, you can have

1 highly divergent costs from one service territory to the
2 next. They can be directly adjacent, but they can have
3 different cost drivers for their business and for the
4 service they are providing to their customers.

5 Right now it's the least expensive to
6 consumers. In the next slide I'll show you how that
7 might be changing, because costs continue to rise for a
8 variety of reasons.

9 It's highly fragmented. There are 50,000
10 water systems in the U.S. If you look at electrics,
11 there are about 3,000. For natural gas you have about
12 1,700. So this is a fragmented industry.

13 There are probably opportunities for scale;
14 probably opportunities for consolidation. But it's easy
15 to say -- it's much easier said than done, shall we say.
16 And, you know, with this last point, I said highly
17 variable costs. What I meant to say was that the costs
18 vary widely between systems because this is a high fixed
19 cost industry, and I'll get to that in a second, as
20 well.

21 So this is a chart from the Institute of
22 Public Utilities out of Michigan State, and they do a
23 great job of surveying different rates across the
24 country and they look at the demographics of commissions
25 and commissioners, and, you know, have a great database

1 of tracking this over time. And if you look at the
2 average utility bill cost for the average household, a
3 household of four in the U.S., you'll see that water --
4 I think that it's fair to combine fuel oil and natural
5 gas because these are heating expenses. If you were to
6 combine fuel oil and natural gas, water is, on average,
7 the cheapest utility or the least utility expenditure
8 for the average household.

9 Now, that's going to change a lot depending on
10 the cost drivers for an individual system, but it's
11 still very affordable. What this also shows is that
12 those costs have gone up over time. And, you know, in
13 ten years, if I were to predict where that's headed, I
14 would think that water will no longer be able to claim
15 that it's the most affordable service of the utility
16 services. And that's being driven by decreasing per
17 capita consumption, increasing EPA mandates, and aging
18 infrastructure. And, you know, I don't see those going
19 away anytime soon.

20 So there are significant capital requirements
21 for water infrastructure. Looking at the EPA estimates
22 and the EPA forecasts, in 2013 -- they have a drinking
23 water needs assessment that comes out every so often;
24 2013 was their most recent one. And they estimate that
25 about 384 billion will be needed by 2030 for drinking

1 water infrastructure. In 2009 that figure was
2 355 billion, and in 2008 it was 298 billion. What that
3 shows is that, you know, as accurate or inaccurate as
4 that number might be, it shows that that infrastructure
5 gap is not being addressed.

6 The American Society of Civil Engineers
7 estimates that a trillion will be needed for water and
8 wastewater infrastructure over the next 25 years.
9 Again, it's a forecast, so it's probably wrong, but I
10 think the lesson there is that it is a big number, and
11 we're not doing enough to address that infrastructure
12 gap right now.

13 The private regulated -- by my estimate, the
14 private regulated water companies are investing about
15 4 billion a year in drinking water infrastructure. Now
16 if you take that out, extrapolate that out to 2030, that
17 comes out to about 68 billion. And interestingly
18 enough, that's about 17 percent of 384 billion, and
19 that's about the market penetration for private
20 regulated systems in the U.S. Still, I think that we
21 need to do more as people that are invested in continued
22 safe and reliable delivery of service to make sure that
23 we are addressing that infrastructure gap.

24 This infrastructure gap is significant,
25 because it's the most capital intensive of utilities.

1 It's about twice as capital intensive as electric; about
2 three times that of natural gas. And that's because
3 these are underground assets, and they are very
4 expensive and expensive to maintain. Also, because they
5 are underground these are long lived assets, and that
6 means that they have the lowest depreciation. So you
7 have this high capital requirement; you have low
8 depreciation rates. So they need the money, and having
9 a lower depreciation rate means that utilities have to
10 make a pretty solid case to the capital markets in order
11 to get those funds.

12 And, you know, let's remember that this is a
13 competitive market for funds. There are banks that just
14 focus on water. The money, the pool of money goes to
15 electric and natural gas, you know, bridges, buildings,
16 you know, these large capital planning projects. And
17 so, I think -- when I talk about the financial health of
18 companies and the financial viability of companies, it's
19 with a long-term concern about continuing to provide
20 that service that we are accustomed to, the safe and
21 reliable service that we, as customers, and that our
22 neighbors are accustomed to. So I think the financial
23 question ties directly into that, being able to access
24 the funds to continue to make those investments.

25 So on the next slide, you know, I wanted to

1 talk about kind of this perfect storm that we're in as
2 an industry. It's a capital incentive industry, as I
3 just said. We have aging infrastructure, growing EPA
4 mandates, tight credit markets, although it's getting a
5 little bit better. But, still, the economic recovery
6 has been, you know, slow.

7 A scarce supply in some areas. And I'm not
8 just talking about the desert southwest. We are seeing
9 scarce supply in the southeast and some places in the
10 midwest. The 2012 drought is still, you know, on
11 everyone's minds. It affected over half of the counties
12 in the U.S. The drought in California right now is the
13 worst that is has ever been in recorded history.

14 But then with these last three points,
15 declining consumption, increasing expenses, and limited
16 growth. You know, I circled these because, you know,
17 looking back historically, the water utilities used to
18 be able to kind of hide behind continued growth,
19 increasing consumption, and not having these increasing
20 expenses that are largely driven by EPA mandates and
21 having to control for contaminants in the water at an
22 increasing level of strickness.

23 So this is something that water utilities have
24 been dealing with over the last 10 to 15 years. And
25 we're seeing, you know, it's -- with these three issues,

1 it's kind of like the tide going out and exposing the
2 rocks beneath, and exposing, you know, some of the
3 problems that we have to deal with.

4 Now, of course, the companies, what this means
5 is the companies have to operate as efficiently as
6 possible, and they have that incentive to do so. But it
7 also means that the regulatory process, you know, we
8 need to look at how the regulatory process can operate
9 as efficiently as possible, as well.

10 So what does this look like, you know, with
11 this kind of exposure? What we're seeing is that there
12 is a significant gap in the authorized versus the actual
13 ROEs in water versus their other regulated counterparts
14 in electricity.

15 This is from R.W. Baird, 2012. And we have
16 actually done an internal survey, as well, and we have
17 seen a gap, an average gap in authorized versus actual
18 of 400 to 500 basis points across our members. And, you
19 know, it was a small survey and we could probably
20 tighten up the data, but what it shows is that for the
21 most part a lot of these companies were exposed to this
22 kind of -- this continued financial minimum risk.

23 And these are companies that are operating
24 very efficiently. And, you know, looking at it from
25 state to state, there were some states that didn't have

1 as much of an issue. You know, where there was a gap
2 of, you know, 50 basis points or 100 basis points. I
3 think that that's -- I don't want to use the term
4 acceptable, but it's explainable.

5 **COMMISSIONER BROWN:** Do you have that broken
6 down by state?

7 **MR. McCAFFREE:** Yes, we do. We do.

8 And in states that have a positive regulatory
9 environment that gap narrows. And where there's an
10 adversarial regulatory environment or where it's
11 difficult for them to do business it's significantly
12 higher.

13 And, you know, we are looking across the same
14 company in many cases. And this is the same company
15 that has the same management practices, and, you know,
16 the same opportunities for efficiency and so on. So
17 that really got us thinking about the regulatory
18 environment and maybe some of the alternative regulatory
19 mechanisms that could be employed to make that as
20 efficient as possible with the ultimate benefit going to
21 the consumers, decreasing rate case expense, et cetera.

22 So I just kind of covered this, but the
23 growing challenge for investment is that the utilities
24 are underperforming due to regulatory lag or an
25 inefficient regulatory process. And so what happens to

1 utilities when they don't earn their authorized ROE? In
2 the short-term it could be nothing. You know, we're
3 seeing companies survive by having, you know, a
4 significant ROE gap over one or two years. That's
5 something that -- it's not completely unsurmountable,
6 but what we are also seeing is that for a
7 multi-jurisdictional utility, there will be subsidies
8 from other jurisdictions and reductions in O&M expenses
9 in the short-term.

10 In the long-term if you have these reductions
11 in O&M expenses and subsidizations from other
12 jurisdictions, you see utilities deploying capital
13 resources to other jurisdictions. I'll get to a couple
14 of examples at the end, but you will see that capital
15 spending go below current depreciation, so the aging
16 infrastructure problem is exacerbated and they won't
17 fill vacant positions. So that has an effect on the
18 local job pool and on the local economies.

19 So just to quickly talk about, you know, how
20 regulatory lag -- and just to clarify, regulatory lag is
21 the time between when a cost is incurred by the utility
22 or needed by the utility and when that revenue actually
23 increases through the rate case process and the rate
24 application process.

25 So just, you know, thinking about this general

1 example, let's say you've got a test year allowed ROE of
2 10 percent. You add in a 5 percent increase in O&M --
3 you know, I've heard from some utilities that just
4 because of EPA mandates they count on a 10 percent
5 increase in O&M every year.

6 A 10 percent decrease in consumption, that is
7 above average. We have seen about a 2 percent decrease
8 in per capita consumption, but we have seen in some
9 cases where it has been as high as 20 percent. A
10 one-year capital expenditure of three times depreciation
11 because of the long-lived assets that go in the ground.

12 You add in, you know, maybe a historical test
13 year and just with the rate case process it's probably,
14 you know, more of the case, and you could have a
15 combined effect of, say, 5.8 percent. So you have a
16 420 basis-point deduction right off the bat coming
17 directly out of the rate case. So the ability to earn
18 the allowed ROE is gone. And, you know, at the water
19 committee there has been some discussion about whether
20 regulatory lag is the right term. It's really a loss.

21 And, you know, a lag implies that they have --
22 that the company has an opportunity to make that back
23 up, but they don't. Once regulatory lag has its effect,
24 that ability to earn the 10 percent ROE is gone. And
25 that's, in my view, in direct violation of the

1 regulatory compact. If a utility can show that they are
2 operating in good faith and that they are providing
3 safe, reliable service, then the regulatory compact
4 states that they should have an opportunity to earn a
5 fair return on their investment. And that's what the
6 rate case process is all about. That's what cost of
7 service regulation is all about. That's why we are
8 here.

9 So if the Commission determines that they can
10 earn a certain return, but in practice and in effect
11 they never have that opportunity to earn that return,
12 then I think it's worth going back and looking at what
13 can be done throughout the regulatory process to fix
14 that. And this, of course, is assuming that the company
15 is operating as efficiently as possible.

16 So, you know, I don't want to put all the
17 responsibility on the regulatory portion, because I
18 think the company carries the majority of the burden and
19 the majority of the responsibility.

20 So addressing regulatory lag, or thinking
21 about these different mechanisms. And last year --

22 **CHAIRMAN GRAHAM:** Matt?

23 **MR. McCAFFREE:** Yes.

24 **CHAIRMAN GRAHAM:** I just want to say, we have
25 been going at this for about 20 minutes; are you going

1 to walk us through every slide? Can you just get to the
2 ask, I guess?

3 **MR. McCAFFREE:** Sure. Sure, I can do that.

4 Just as a little bit of background, let me,
5 Mr. Chairman, let me get through this, and then I'll get
6 to really the recent policy developments. I wanted to
7 talk about alternative regulation and the challenge for
8 small utilities and things that we really are focused
9 on.

10 **CHAIRMAN GRAHAM:** And that's something that is
11 very important to us is the small water utilities.

12 **MR. McCAFFREE:** Great. Great.

13 So we looked at the alternative mechanisms and
14 did a survey across water, electric, and natural gas.
15 And the bottom line is -- and I'll move through this
16 quickly -- is that the alternative mechanisms, when you
17 are really comparing apples-to-apples, are much more
18 prevalent for electric and natural gas. And there's an
19 opportunity there to look at these alternative
20 mechanisms and apply them to water utilities.

21 And so, Mr. Chairman, you're asking about, you
22 know, what requests we are coming with -- the message is
23 that these are worth looking at. There is no silver
24 bullet for every single state. It's going to depend on
25 the preferences and on the current environment and the

1 current constraints that the different companies are
2 facing. But it shows that there is kind of this
3 disproportionate treatment when the regulatory
4 principles across the three sectors are the same.

5 So you have the data there, and I'll, you
6 know, let you look at that afterwards, and I'll talk
7 about what NARUC has discussed in a second. But the
8 second challenge we've had coming out of the last couple
9 of years is small systems, and engaging small systems in
10 the regulatory process. Making sure that they are aware
11 of the different tools that are available, and then in
12 states that don't have these tools in place or that
13 don't have them in effective practice, helping promote
14 those as much as possible through the NARUC Water
15 Committee and, you know, with individual state outreach.

16 So I think that everyone can agree that --
17 well, I hope that everyone can agree that it's worth
18 matching the regulatory effort to the scope of that
19 utility. And I'm not talking about, you know,
20 overlooking any sort of diligence, but making sure that
21 the rate application process doesn't lead to this
22 disproportionate cost on a per customer basis for a
23 small utility versus a large utility that has lawyers
24 and accountants and can hire consultants and spread it
25 out across a large rate base or a large customer base.

1 So, you know, it's all about breaking the
2 cycle of underinvestment. And so small companies that
3 want to continue serving their customers as well as
4 possible and are committed to that aren't left behind in
5 terms of investment because of the regulatory process,
6 because the regulatory process is too onerous. It's
7 difficult to happen.

8 So those two questions and those two
9 discussions have led to these recent policy
10 developments. So, you know, I think that we have seen
11 some of these regulatory mechanisms adopted in states
12 that were kind of unexpected, quite frankly. North
13 Carolina, Arizona, and Nevada have adopted some of these
14 alternative mechanisms in the last, you know, 18 months.

15 And then in 2013, three NARUC resolutions were
16 passed. The first -- and I'm sort of going in reverse
17 order here, but the resolution recognizing the role of
18 alternative regulation stating that the cost-of-service
19 ratemaking, which has worked reasonably well, no longer
20 adequately addresses the challenges of the water
21 utilities.

22 And then looking at some of the other kind of
23 market realities of the sector today, and endorses
24 states investigating these mechanisms as potential ways
25 to make sure that investment continues and that the

1 regulatory process works as well as possible reducing
2 rate case cost, reducing the frequency of rate cases,
3 reducing the length of the rate application with the
4 ultimate benefit to consumers.

5 The second, which kind of ties in with
6 alternative regulation, is just recognizing that there
7 is this ROE gap. They have looked at the evidence, they
8 have seen that it indicates that there is a structural
9 issue with the regulatory process for water versus
10 electric and natural gas, and that the ability for a
11 utility to earn a return is a critical component in
12 regulated water service.

13 And then, finally, identifying best practices
14 for small systems. So we looked at all the different
15 regulatory practices for small systems across the
16 country, but none of the best practices that are
17 included in the resolution are new. There's nothing
18 terribly revolutionary in that.

19 They are all in place in at least one state,
20 and in some cases, like the simplified rate application
21 for small systems, that's in place in over half of the
22 states. But it comes down to implementation, as well.
23 In talking to small company owners, in talking to
24 regulatory staff, in talking to commissioners and
25 stakeholders, there was a pretty wide variation in --

1 for those states that have these practices in place, a
2 wide variation in practice.

3 So, you know, you could have a simplified rate
4 application. But I talked to some companies that said,
5 you know, it is easier for us to go through the
6 traditional rate application, because the simplified
7 rate application takes longer, it ends up costing more,
8 and we have, you know, less ability to argue our point.

9 So I think that, you know, the devil is in the
10 details there and making sure that all the stakeholders
11 are working as well as possible with the interest of
12 these small companies in mind.

13 And, you know, I'm not talking about the small
14 companies that aren't very good at their jobs, quite
15 frankly, and don't really care as much about their
16 quality of service and what they're doing. But, you
17 know, the companies that are really out there and making
18 sure that the community that they are serving and that
19 they live in is getting the best service possible and
20 the best rates possible.

21 And, you know, I think that -- well, here's a
22 slide that goes over some of the mechanisms. I won't go
23 into too much detail to respect our time here. And I
24 would be happy to send around the resolution afterwards
25 so that everyone has them. But, you know, regulation

1 really is -- the key here is that regulation is
2 essential to investment. Whether you're talking about a
3 small company or whether you're talking about a large,
4 you know, multi-jurisdictional utility that is in 14
5 states.

6 We're facing a challenge here. And in order
7 to continue to provide this critical service that we
8 have all grown accustomed to being highly reliable and
9 very safe with these increasing -- with water that will
10 ultimately end up being safer, you know, ten years down
11 the road versus now, just as the water now is safer than
12 it was ten years ago by and large.

13 We have to make sure that we're investing in
14 the system, which means that the regulatory -- we need
15 to continue to look at innovations on the regulatory
16 side that can allow for this investment, and that comes
17 down to a productive regulatory environment.

18 So looking at the states that have this
19 environment, it's a cooperative process. And this does
20 not mean that there is a lack of diligence. This means
21 a strong consumer advocate. This means very educated
22 and engaged staff, an independent staff, and very
23 educated, engaged, and independent commissioners.

24 With the utilities and all the parties that
25 understand that there has to be an ability to compromise

1 and to look at streamlining this so it benefits
2 consumers. And that happens, quite frankly, through
3 good communication practices, but also having these
4 mechanisms in place. Whether they are mechanisms for
5 small companies or alternative mechanisms for larger
6 investments, larger long-term investments. It's
7 decoupling and what have you. And like I said, there
8 are many different tools in the tool box that can be
9 employed here. There is not one in particular that, you
10 know, is better than all others.

11 And it's really -- you know, you can measure
12 the output by how frequently the rate cases are, how
13 long they last, what the rate case expenses are, and how
14 happy the customers are. I think that that is very
15 critical, as well, looking at customer satisfaction,
16 looking at customer engagement. Because this is a
17 pretty idiosyncratic world. You know, not everybody
18 understands cost-of-service regulation, which is why I
19 have a job. (Laughter.)

20 And, you know, while water is a very emotional
21 issue, you know, we ingest it, you know, we bathe our
22 kids in it, and do all of those other things, there is a
23 lack of understanding of what it takes to provide this
24 service to every single one of us. And why the
25 expertise that is behind it and why the investment that

1 goes into it is so critically important and why we need
2 to continue to invest in those.

3 So, you know, they're significant requirements
4 of the utility. Like I said before, I think that most
5 of the responsibilities fall on the utility's shoulders.
6 They need to have access to capital and make sure that
7 they are financially healthy and viable and competitive
8 in a competitive market; that they're operating
9 efficiently; that they have the experts on hand to
10 continue to provide this service; that they have solid
11 management, and that they approach these issues that
12 come down the pike creatively and are proactive at
13 dealing with challenges like we have recently seen in
14 West Virginia, for example.

15 So, you know, I'll stop there. Let's see.
16 Well, actually, ending on a point that I think is
17 important to make, we're seeing investment flowing to
18 best practice states and states with a productive
19 regulatory environment. So we have seen a correlation
20 between certain practices and investment.

21 There are examples of companies,
22 multi-jurisdictional companies deploying certain
23 technologies in states that allow for quicker recovery
24 and a faster rate case process.

25 And, you know, this means jobs; this means

1 money to the local economy; this means better service to
2 the customers, and that's something that's important to
3 remember. Even though, you know, the individual states
4 are looking at the constraints and needs within their
5 state borders, it's important to remember that money
6 doesn't respect state borders. Investment doesn't
7 necessarily respect state borders.

8 And I'd like to see more money going to the
9 local economies, more money going through this
10 regulatory process and into the systems for this
11 long-term investment and long-term service.

12 So that's where we are.

13 **CHAIRMAN GRAHAM:** Any questions for Matt?

14 **COMMISSIONER BROWN:** A couple.

15 Thank you for your presentation, Matt, and I
16 appreciate it. This is an area of interest to all of
17 us, especially with regard to the smaller utility
18 systems.

19 And we have seen some interesting legislation
20 come through Florida, and you raised some points about
21 alternative regulatory mechanisms. And I do believe
22 that we have a duty to help avoid any type of regulatory
23 lag on our part as the Commission. But you talk about
24 the resolution in July, you talked about facilitating
25 emergency infrastructure funds.

1 **MR. McCAFFREE:** Uh-huh.

2 **COMMISSIONER BROWN:** Was it discussed or
3 contemplated by the industry of how to do that? Was it
4 by some type of reserve fund? How was that
5 contemplated?

6 **MR. McCAFFREE:** The mechanisms that we saw
7 were reserve funds that were set up and could be
8 accessed only, you know, when determined by the
9 Commission.

10 **COMMISSIONER BROWN:** Who monitored or who kind
11 of regulated that reserve fund? Was it the utilities
12 that would control that?

13 **MR. McCAFFREE:** You know, I'd have to go
14 check, actually. In the examples that I can think of
15 offhand, you know, it would go into an escrow, and the
16 regulations restricted their access to it until the
17 Commission said, well, this is an emergency.

18 **COMMISSIONER BROWN:** That's an area of
19 interest, at least our state legislature, and they are
20 looking at that this session, too. So that's why I'm
21 curious about that.

22 **MR. McCAFFREE:** Okay.

23 **COMMISSIONER BROWN:** The other thing you talk
24 about, the perfect storm --

25 **MR. McCAFFREE:** Right.

1 **COMMISSIONER BROWN:** -- and how you have all
2 of these compounding factors that's only going to
3 increase rates to customers. Has the industry looked at
4 avoiding rate shock over the next ten years with all of
5 these increased EPA regulations and, you know, capital
6 intensive projects that are going to be in place? Have
7 they looked at somehow a mechanism to avoid the rate
8 shock?

9 **MR. McCAFFREE:** Well, you know, the utilities,
10 the ones that operate well, and the large utilities
11 certainly do, they are looking at these costs that are
12 coming down the pike. They have long-term investments,
13 and they are certainly planning for these. But, you
14 know, it's not always a perfect science.

15 There can be a delay in EPA regulation. You
16 could have something that happens, like the spill in
17 West Virginia, that drives the discussion and
18 accelerates the timeline for certain parameters. I
19 mean, under EPA regulations there are 91 different
20 parameters that a utility has to control for, and that's
21 going to expand. I don't think that's going to be, you
22 know, 93 by the end of the week because of these two
23 chemical spills in West Virginia, but I guarantee you
24 they are talking about it right not.

25 And, you know, the utility can just assume

1 that there is going to be this increase in O&M. I
2 talked about this one utility assuming a 10 percent O&M
3 increase every year because of EPA regulations, and they
4 build that into their investment. You know, I think
5 that that can be -- that can be controlled for on the
6 utility side somewhat. But in order to avoid rate
7 shock, I think another component is to make sure that
8 there is kind of a predictable regulatory environment
9 and regulatory process.

10 The alternative mechanisms get toward this
11 rate shock issue, and that's really what this has been
12 about. So it is nonrevenue-based investments that need
13 to take place and their distribution in the
14 infrastructure. So it's not expanding service, it's not
15 adding new treatment plant, and not building their rate
16 base, but replacing infrastructure that really needs to
17 be replaced, but not waiting until the next rate case to
18 bump up those rates. It's a gradual increase. It's
19 controlled, it's capped, it's communicated to the
20 commission and the commission staff, and then verified
21 afterwards. So, you know, there are plenty of
22 safeguards in place. But the whole point was, you know,
23 let's avoid rate shock.

24 **COMMISSIONER BROWN:** And additional rate case
25 expense, and --

1 **MR. McCAFFREE:** Exactly, exactly.

2 And so, you know, we know that this investment
3 needs to take place. We know that lines need to be
4 replaced, so let's do it in a more intelligent manner so
5 it can become more gradual.

6 **COMMISSIONER BROWN:** Excellent. Thank you.

7 **COMMISSIONER BALBIS:** Mr. McCaffree, I
8 appreciate your presentation. A lot of good
9 information.

10 One clarification. You mentioned, I know you
11 said contributions in aid of construction. What are
12 some examples of that in other states?

13 **MR. McCAFFREE:** Well, it's really about --
14 and, you know, this has to happen on an ad hoc basis so
15 that when CIAC is used, you know, by a developer, for
16 example, it doesn't result in unsustainable rates down
17 the road when, you know, more investments need to take
18 place for that system.

19 And say a developer, you know, works on a
20 subdivision. All of a sudden it becomes sort of a
21 de facto water utility, and they end up selling it to
22 another owner. And the owner looks at the replacements
23 that need to be made, and they don't have the
24 calculations for rate base to continue. They need to
25 increase rates for the investments that they need to

1 make.

2 So the examples that we have seen have been
3 kind of on an ad hoc basis. They'll evaluate whether or
4 not a new utility, a new system is using CIAC that won't
5 work out, you know, in a way that won't work out in the
6 long run.

7 **COMMISSIONER BALBIS:** Okay. And then on your
8 point on the different alternative ratemaking
9 mechanisms, I guess this state has quite a few. You
10 mentioned, you know, an emergency fund where utilities
11 coming in for interim rate relief, which we have granted
12 in the past, if it was justified, and they can implement
13 those rates immediately, which I think has been
14 successful.

15 We also have the indexing process every year
16 where we look at the cost-of-living increases,
17 et cetera, and also the staff-assisted rate case
18 process. Do you feel this state, as compared to others,
19 has a number of alternative programs? I mean, you
20 pretty have almost each one you mentioned here.

21 **MR. McCAFFREE:** I think that Florida has some
22 great mechanisms in place for small companies, and rate
23 indexing is certainly best practice that we track and
24 that we recognize. But I think, you know, it comes down
25 to making sure that those mechanisms, in practice, are

1 hitting the initial goals of, you know, putting those
2 mechanisms in place.

3 **COMMISSIONER BALBIS:** Okay. And one other
4 thing that you mentioned, you know, I have made comments
5 several times about capital expenditures, you know, the
6 limitations that we have on the test year and not
7 looking at five years, or maybe even longer, capital
8 improvement plans which most municipal utilities do.

9 Are there some states that have an expanded
10 test year or some sort of capital improvement program
11 analysis?

12 **MR. McCAFFREE:** New York has multi-year rates,
13 so that's -- let's see, there's New York and then one
14 other state that has it. I know that California is
15 looking at it, but it's not -- that's one of the issues.
16 It's not as wide spread in water as it is in electric
17 and natural gas.

18 **COMMISSIONER BALBIS:** Okay. And then you
19 mentioned an increase in O&M expenses. We have gone
20 through several -- I probably shouldn't say they were
21 contentious, but as you mentioned that water is very
22 personal to customers. And we have looked at O&M
23 expenses and scrutinized those as we do all costs. And
24 in looking at what I feel an operating utility, the main
25 factors, people, power and chemicals from the O&M side,

1 we have seen a little bit of upticks in the power costs.
2 Of course, chemical costs have been relatively stable,
3 maybe a little bit of an increase, and we have even seen
4 examples of large companies that have multiple utility
5 systems within the state not even having aggregate
6 contracts for chemicals, like, each individual utility
7 has different chemical costs, and I found that
8 surprising.

9 And on the people side, this Commission has
10 been consistent in not -- you know, if raises aren't
11 appropriate, et cetera, so the people costs have
12 relatively stabilized. But one thing we have seen, and
13 there is a perception out there and perhaps the reality
14 is a significant increase in affiliate charges for the
15 large companies. Has the industry as a whole focused on
16 affiliated charges and how to manage that, how to make
17 sure that those are operating and being passed on to the
18 individual utilities officially? Because we have seen
19 an increase in those.

20 **MR. McCAFFREE:** We haven't. Actually, that's
21 something that I'll look into and talk to our crews
22 about. But, yes, I'll take a closer look at that.

23 **COMMISSIONER BALBIS:** Okay. And then the last
24 question, Mr. Chairman, you mentioned the EPA mandates.
25 And I know probably the recent large -- the one with the

1 largest impact was probably the THM rule.

2 Do you see anything coming up, whether
3 additional nutrient criteria that may require some
4 wastewater modifications, or what's coming down the
5 pike, do you think?

6 **MR. McCAFFREE:** Actually, I don't have that on
7 my radar, you know, exactly what's coming down from the
8 environment regulatory side. You know, we communicate
9 often with the EPA, and with Phil Oshida specifically.
10 You know, he gives us an overview once a year. But
11 that's actually -- you know, I'd be happy to put you in
12 touch with some folks at the EPA to give you a quick
13 summary.

14 **COMMISSIONER BALBIS:** Okay. All right. Thank
15 you. That's all I have.

16 **CHAIRMAN GRAHAM:** I'm glad you asked that
17 question, because that's the question I was going to ask
18 about the EPA mandates.

19 Any other questions?

20 Well, Matt, I do appreciate you coming down,
21 and enjoy the warmth.

22 **MR. McCAFFREE:** Thanks. I haven't even put on
23 a coat jacket yet.

24 Thank you, Mr. Chairman. Thank you,
25 Commissioners. I appreciate it.

1 **COMMISSIONER EDGAR:** Thank you.

2 **CHAIRMAN GRAHAM:** All right. Commissioners,
3 Number 2 on the agenda.

4 **MS. MARR:** Good morning, Commissioners. I'm
5 Diana Marr with Commission staff.

6 In 2009, the American Recovery and
7 Reinvestment Act, also known as ARRA, provided a grant
8 to state utility commissions to help them manage the
9 anticipated increased workload resulting from the
10 electricity-related initiatives funded by ARRA. Some of
11 these are renewable energy, smart grid, and electric
12 vehicles.

13 The Commission directed staff to pursue the
14 grant and to use it for staff training. In December of
15 2009, a grant was awarded in the amount of \$1,217,160.
16 Its term was January 1, 2010, through November 30th,
17 2013. And the purpose of the grant was to supplant --
18 or to supplement, not supplant, the PSC's training
19 expenditures.

20 The primary components of the training plan
21 developed by staff include educational seminars and
22 conferences, on-site training, and site visits. And
23 because of the grant we were able to provide advanced
24 training and cross-training for technical staff in the
25 regulation of electric utilities.

1 I'm available to answer any questions you may
2 have.

3 **CHAIRMAN GRAHAM:** I think there's probably a
4 couple.

5 **COMMISSIONER BROWN:** Just a question about the
6 grant. I don't have a copy of it, but was the grant
7 specifically earmarked for training only?

8 **MS. MARR:** No, the grant was directed towards
9 state commissions to help them manage the increased
10 workload. The Commission decided on the training grant.

11 **COMMISSIONER BROWN:** And there was a matching
12 requirement, as well, correct, so that the Commission
13 had to expend --

14 **MS. MARR:** Well, it wasn't exactly a matching
15 requirement, but it supplements the existing
16 expenditures. So the Commission could use the federal
17 money in lieu of monies that they were already using.

18 **COMMISSIONER BROWN:** Okay.

19 **COMMISSIONER BALBIS:** One thing that jumped
20 out on Page 3 of the summary was that basically \$450,000
21 of the grant has converted back to the Department of
22 Energy; is that correct?

23 **MS. MARR:** Yes, sir.

24 **COMMISSIONER BALBIS:** Why didn't we utilize
25 all of the funds in the grant?

1 **MR. BAEZ:** Commissioner, I can take that
2 question.

3 First, a clarification. I think that the
4 number that you see there of \$450,000, the way that the
5 grant was structured wasn't an award of 1.2 million to
6 the Commission. So technically we are not returning
7 money. That really is the balance of the grant that
8 resides at DOE. We were merely drawing down.

9 One of the things that probably isn't in the
10 memorandum was how the grant came to be, or how that
11 number came to be. And the way DOE -- well, let me say
12 it this way. It was a number that was assigned to us
13 rather than a number that was developed by the
14 Commission in pursuit of the grant. So that
15 \$1.2 million is the product of a mathematical formula
16 that included a baseline number of about -- I may get
17 the number wrong, but it was either 350 or \$450,000 that
18 was available to every jurisdiction, to every utility
19 commission. And then based on relative population among
20 the states, you got the difference.

21 And Florida being the size it is, accounts for
22 the rest of the -- up to the 1.2 million. So for
23 starters, I'd say we didn't ask -- that was not a number
24 that was internally driven. So having said that, the
25 act of not having spent the money shouldn't be

1 interpreted as us not, certainly not meeting goals that
2 we may have set initially, the reason being we were
3 trying to spend up to that goal.

4 So two things that I would clarify. It's not
5 a return of money, it's just money that wasn't accessed
6 in the end. And with the additional statement that I
7 think that given the circumstances that we were working
8 under, and the opportunities available to us during that
9 time period, we haven't lacked for funding, and we have
10 gotten every benefit that we had been able to identify
11 from the availability of the funds. We spent as much as
12 we could to get value as we determined.

13 **COMMISSIONER BALBIS:** Okay.

14 **MR. BAEZ:** As much as we needed.

15 **COMMISSIONER BALBIS:** Thanks for the
16 clarification of the drawdown versus reverting. That
17 was a little misleading.

18 I was just looking at the grant application
19 itself, and it's my understanding that the Commission in
20 2009 directed staff to seek this grant, correct?

21 **MR. BAEZ:** Yes.

22 **MS. MARR:** Correct. Yes, yes.

23 **COMMISSIONER BALBIS:** And then reading through
24 the grant, the application that Mr. Futrell put
25 together, there seems to be a very detailed list of

1 activities that are going to be performed and costs
2 associated with that, and a spending plan that was
3 developed by staff to equal the 1.2 million.

4 Just having that disparity of what we
5 anticipated to spend and what we did spend, are there
6 activities that we didn't do, training that we didn't
7 seek; I mean, why the difference?

8 **MR. BAEZ:** I think part of the difference --
9 well, let me start off by saying that whatever work plan
10 the staff developed at the beginning was aspirational in
11 a way. I mean, we were going at it -- again, as I had
12 mentioned before, we were trying to match the monies
13 that were available and draw a plan accordingly in order
14 to provide the necessary documentation to DOE in order
15 to actually, you know, make everything kosher for the
16 grant itself.

17 You asked if there were things that we did not
18 get to do. I think the easy answer is probably yes.
19 Remember that this was a four-year period that we had.
20 Because we chose training, or because the Commission
21 actually directed us to pursue the grant in the form of
22 training supplement, that the very nature of training
23 involves human participation. I think that that
24 necessarily involves time and availability and, you
25 know, the jibing of scheduling and so forth.

1 You will remember -- we'll pick a year. 2012
2 was rather busy, for instance, with rate cases. I mean,
3 rate cases would naturally take precedence over any
4 opportunity for training, and that has -- I think those
5 timing issues and availability issues have an effect on
6 the way that we -- on the opportunities that we have to
7 spend grant money that we would have otherwise -- on
8 training that we would have otherwise had during any
9 given year.

10 In addition to that, I think Commissioner
11 Brown alluded to a matching of funds. While that is not
12 technically true, I think the proper answer is since it
13 was used to supplement, that implies that we have to
14 have money available to spend. And there have been a
15 couple of years there where for budgetary reasons money
16 wasn't available from our end, and, therefore, denied us
17 access under the terms of the grant.

18 So I think all of those factors thrown into
19 the pot is why you probably see a balance at the end,
20 because we didn't have the proper conditions to take
21 advantage of the opportunities during any given period.
22 You can see in the last year when things started to look
23 a little better, we did try to make the most of our
24 opportunities in the end.

25 **COMMISSIONER BALBIS:** Okay. And I guess --

1 and this is to my colleagues, my main concern is that,
2 one, and it might be my fault, this is the first I have
3 heard that we had this. And the fact we had access to
4 \$450,000 in additional funds, I personally feel I would
5 have liked to have known that so maybe we can
6 collectively discuss if the right decision as to seek
7 those additional funds, or maybe look and see what
8 additional training we can do to use those funds.

9 Because as you have said to us on several
10 occasions, you know, we are trying to build up our
11 staff, educate our staff. We are having a lot of
12 turnover with senior folks retiring, and I just see it
13 as a lost opportunity. And I understand the rationale
14 and it makes sense, but just hearing about it for the
15 first time and after the funds have already -- are no
16 longer able to be accessed is something that I have
17 concerns with.

18 And looking at some of the activities in
19 calendar year 2013, these were events where we had sent
20 additional staff, and it looks as if we had the
21 opportunity to have the DOE grant fund some of the
22 additional staff that attended those, which is a
23 concern.

24 **MR. BAEZ:** Well, I think they did. I mean, if
25 what you're saying is we didn't -- if what you're

1 suggesting is we didn't send enough --

2 **COMMISSIONER BALBIS:** No, I'm suggesting that
3 we sent additional folks to do the training, and
4 according to your spreadsheet that less than the number
5 that was sent were reimbursed through the grant.

6 **MR. BAEZ:** Less than the number that were
7 sent?

8 **MS. MARR:** And, Commissioner, that would be
9 because the Commission paid for the difference of, I
10 think, what you're looking at. So if ten people
11 attended an event, the grant may have paid for six and
12 the Commission paid for four.

13 **COMMISSIONER BALBIS:** Right. Yes, and that's
14 what this reflects. It may not be six or four or
15 whatever the number is --

16 **MS. MARR:** Right.

17 **COMMISSIONER BALBIS:** -- but if we had
18 \$450,000 still left to be accessed, was there an
19 opportunity to have the DOE pay for nine and have the
20 Commission pay for one. Because looking at the grant
21 application, there doesn't appear to be any mention of
22 matching fund requirements. That's my concern is that
23 did we miss any opportunities --

24 (Inaudible; simultaneous conversation.)

25 **MR. BAEZ:** When the opportunity presented

1 itself, and in this -- an example that you're using, one
2 of the things that we considered was what -- I mean, the
3 starting point for the conversation or for the
4 consideration is how many folks do we usually -- how
5 many staffers do we usually send to a conference, for
6 example. And using that as a basis, then how many in
7 addition with ARRA funding would be prudent? And I
8 think that's more art than science, I will admit to you,
9 because we have -- you know, again, I go back to not
10 just issues of availability, but also optics.

11 I mean, there is no other way to talk around
12 it. These federal fund expenditures are heavily
13 scrutinized and also subject to audit at any point in
14 time. And rather than risk an audit, we tend to always
15 be on the conservative side with how far we leverage the
16 federal funding. It's really a question of -- it was a
17 judgment call. I don't know any other way to put it.

18 **COMMISSIONER BALBIS:** Okay. And,
19 Mr. Chairman, and not to -- my main point is that, you
20 know, it's almost too late now, but for the next time,
21 you know, I personally would like to know --

22 **MR. BAEZ:** It's officially too late, yes.

23 **COMMISSIONER BALBIS:** -- and I would assume
24 that my colleagues would like to know that before the
25 deadline passes on utilizing a grant, especially a grant

1 was authorized, staff was authorized to pursue by the
2 Commission, to bring to our attention.

3 **MR. BAEZ:** I regret that this is the first
4 time you hear that ARRA funding was available. If
5 that's, in fact, the case, then you have my apologies,
6 Commissioner. This is, in fact, a grant that has been
7 floating around and funding our training activities for
8 four years.

9 **COMMISSIONER BALBIS:** Well, that's why I said
10 it might be my fault, but --

11 **MR. BAEZ:** I'm sorry? (Pause.)

12 Apryl was kind enough to remind me, you know,
13 the ARRA funding also needs budgetary approval. So it's
14 part of the yearly request for appropriation
15 authorization by the Legislature, as well.

16 If it was not brought to the floor
17 sufficiently, then I take responsibility for that. We
18 tried, as best we could, to highlight activities that
19 were funded by ARRA. As a matter of fact, I think every
20 training opportunity and every conference opportunity
21 that came up during the span of those four years
22 actually included an ARRA portion of it, because that's
23 how we were able to leverage greater participation,
24 given whatever the existing circumstances were on it,
25 Commissioner. So if this is the first time that you are

1 hearing about it, you have my apologies.

2 **CHAIRMAN GRAHAM:** Anyone else? Well, thank
3 you for your report.

4 **MR. BAEZ:** Thank you, Commissioners.

5 **CHAIRMAN GRAHAM:** Number 3.

6 **MR. BROWN:** Good morning, Chairman Graham,
7 Commissioners. How are you?

8 My name is Shevie Brown. I'm an analyst in
9 the Division of Economics. The item before you is the
10 draft annual report of the Florida Energy Efficiency and
11 Conservation Act, the FEECA report.

12 Commissioners, this report is a summary report
13 or factual report that we attempt to fulfill the
14 Commission's statutory obligations related to providing
15 the report to the Governor and the Legislature. The
16 report discusses topics such as the utilities' progress
17 towards meeting the adopted goals which were set by you
18 guys, information on electric and natural gas programs,
19 information pertaining to energy standards on
20 conservation.

21 Other highlights of this report includes a
22 summary of the Commission's collaborative with the
23 Department of Agriculture and Consumer Services, along
24 with PURC, to evaluate whether or not FEECA is still in
25 the public interest.

1 A summary of the Commission's staff audit
2 regarding a review of the administrative efficiency of
3 utility DSM programs, a summary of federal appliance
4 standards, a summary of natural gas activities, an
5 update on electric DSM goal-setting activities, and a
6 review of the Commission's outreach activities regarding
7 energy conservation.

8 We are seeking your approval to submit this
9 report to the Governor and the Legislature before our
10 March 1st statutory deadline. In addition,
11 Commissioners, we were made aware of a scrivener's error
12 in the report on Page 2 under the Executive Summary in
13 the second paragraph.

14 The last line in that paragraph, I'll just
15 read it out just for completeness. "Section 553.975,
16 Florida Statutes, requires the Commission to submit a
17 biennial report to the Governor, President of the Senate
18 and President of the House regarding the effects of the
19 state energy standards on conservation." And as you're
20 aware, that should not be President of the House, it
21 should be Speaker of the House. And we would request
22 your permission to make those corrections and any others
23 that you may find in the report.

24 Other than that, that concludes my
25 presentation this morning. And we are available for any

1 discussion.

2 **CHAIRMAN GRAHAM:** Any questions?

3 **COMMISSIONER BALBIS:** One comment. Thank you
4 for this report. I think it was very comprehensive, and
5 I'm glad that we are continuing to point out that
6 building code and energy efficiency is an effective
7 mechanism, and pointing that out to those, I think, is
8 important. And we are in an unusual position as we're
9 about to start the goal-setting process, so I look
10 forward to that.

11 You mentioned the PURC report that was
12 requested by the Legislature. In that PURC report there
13 were three recommendations and several other areas that
14 warranted further study. Some of those recommendations
15 were to be done prior to the goal-setting process.

16 Has staff addressed that as far as it pertains
17 to the FEECA report? I know I don't want to dive in too
18 deep.

19 **MR. BROWN:** Right. I'll have to ask for some
20 clarity on that. I'm not sure about that, but maybe
21 Mr. Dean can assist me with that.

22 **MR. DEAN:** I may have Mark back me up. I
23 believe there were three recommendations, Commissioners.
24 One was that there would be more availability and access
25 to the data. We have done that. We have put more of

1 the filings that will occur in the FEECA docket, which
2 are massive, on our website so that any intervenor or
3 party can directly access them.

4 There was also a recommendation -- Mark, what
5 were the other ones? I believe there was a data
6 request --

7 **MR. FUTRELL:** Commissioners, I think there was
8 also an identification that the criteria for judging
9 cost-effectiveness of conservation programs be made up
10 front. And certainly we have -- when that report came
11 out from PURC, we provided you with a memorandum
12 summarizing their findings and recommendations. And I
13 think we're in a position where the Commission's rule
14 requires, at a minimum, the three conservation tests;
15 the Participant, the Rate Impact Measure test, or RIM
16 test, and the Total Resource Cost test, the TRC test.

17 And that information will continue to be
18 filed, and the Commission goes through its processes, as
19 you mentioned, in the goal-setting process to judge
20 cost-effectiveness. And so those are three tools that
21 are, at a minimum, at the Commission's disposal. But
22 that was one of the items that was identified, was more
23 clarity up front on which cost-effectiveness test should
24 be relied upon which might be helpful to the process.

25 **COMMISSIONER BALBIS:** Okay. Thank you.

1 **CHAIRMAN GRAHAM:** Anybody else?

2 I think staff is seeking approval.

3 **MR. BROWN:** Yes, sir. Once you approve it,
4 we'll make those corrections that we talked about today
5 and any others that are found. And then we will submit
6 to your office the letters that will be sent out to the
7 Governor and the Legislature and other parties.

8 **COMMISSIONER EDGAR:** Move approval.

9 **COMMISSIONER BALBIS:** Second.

10 **CHAIRMAN GRAHAM:** It has been moved and
11 seconded, approval of the draft report.

12 Any further discussion?

13 Seeing none, all in favor?

14 (Vote taken.)

15 **CHAIRMAN GRAHAM:** Thank you very much.

16 Legislative update. It's that time of year
17 again.

18 **MS. PENNINGTON:** Good morning. I'll sit in
19 this chair that somebody lifted up a little bit for me.

20 I first wanted to talk to you about a couple
21 of bills that Representative Dudley filed that we are
22 just going to kind of watch. Both of them are
23 proposals, amendment -- to put a constitutional
24 amendment on the ballot. The first one would be that no
25 utility could recover any costs until the plant has been

1 placed in commercial operation. And then the second one
2 has to do with prohibiting -- no, that's not the one,
3 I'm so sorry -- the second one has to do with providing
4 that any person, corporation, any kind of entity that
5 exclusively produces renewable energy is not a public
6 utility. And both of those he has filed to place on the
7 ballot, I'm assuming for November. They were just
8 introduced in the last week or so, so there has not been
9 any movement so far on those two bills.

10 There has been no movement on the repealer
11 bill that repeals entirely the nuclear cost recovery
12 clause. And then the other issues that we are kind of
13 working on, we are working with the staff, are some of
14 the water and wastewater issues.

15 Senator Hays has not yet filed his bill, but
16 to the best of our knowledge it closely resembles the
17 bill that Representative Santiago has filed that
18 incorporates several of the recommendations of the water
19 and wastewater study committee. And that bill has not
20 been agendaed for any committee yet.

21 Senator Simpson's Bill 272, which one of
22 those -- there is one section of that bill that contains
23 one of the recommendations from the water and wastewater
24 study committee. That bill is now a committee
25 substitute and has -- the first part of the bill creates

1 a process, and as has been explained to us, the intent
2 is to give customers a better voice in the process. And
3 it sets forth a process for customers filing a petition
4 for revocation based upon the water and/or wastewater
5 utility failing to meet the secondary standards or the
6 operational standards for wastewater.

7 Senate staff has reached out to us to assure
8 that any process created in that bill is a process that
9 would work seamlessly with our other processes that we
10 currently have and it is something that we foresee could
11 be implemented. But they have made it clear that the
12 intent is that customers have a greater voice to bring
13 customers and the utility to the table so that customers
14 have a stake in the process, understand if I want this
15 level, this quality of drinking water, then it's going
16 to cost this much. And if they are willing to pay for
17 it, fine.

18 And it also contains the part about the
19 ability of the Commission to deny all or part of a rate
20 increase if the water and wastewater utility fails to
21 meet the secondary water standards or the operational
22 standards for wastewater.

23 Committee meetings begin again the week of
24 February 3rd and they run for three weeks, and then
25 there's a week off and the session starts.

1 Any questions?

2 **CHAIRMAN GRAHAM:** Questions? Commissioner.

3 **COMMISSIONER BRISÉ:** This is the bill that has
4 that 65 percent of the consumers can file a petition
5 with the Commission?

6 **MS. PENNINGTON:** Yes.

7 **COMMISSIONER BRISÉ:** Is that for a particular
8 system or is that system-wide? How would that
9 65 percent be calculated?

10 **MS. PENNINGTON:** Well, and that's one thing
11 that senate staff has reached out to us to identify if
12 it's one-meter-one-vote kind of thing, or if it's the
13 customers in a utility system. And I think -- are you
14 asking if a company owns several systems?

15 **COMMISSIONER BRISÉ:** Right.

16 **MS. PENNINGTON:** No, I believe that it's each
17 individual system, yes, sir. That's how we would
18 interpret it.

19 **MR. KISER:** Mr. Chairman, for those that have
20 really been following those water bills, and I know that
21 all of you have a certain amount of interest in them,
22 that bill started out to be the bill that you may have
23 seen before, which was going to limit how much a private
24 utility's cost to the customer could be to comparison to
25 the local city or county system. And, of course, we all

1 had problems with the constitutionality of that. That
2 has all been taken out, and the 65 percent thing is
3 basically the change that took place on that bill.

4 So that has been struck, and now the bill
5 has -- the major portion of that bill is the 65 percent.
6 And the second half of the bill has to do with what
7 happens when it comes to the Commission and we find that
8 the 65 percent level has been met. Then the second
9 provision has to do with what the Commission can do with
10 that once it's in our lap.

11 **MS. PENNINGTON:** And right now the committee
12 substitute has three options that the Commission -- and
13 this is at the point that the staff has done all of the
14 background investigative work and the utility has had an
15 opportunity to respond, as well.

16 The Commission can dismiss the petition. They
17 can -- the current language is suspend the license,
18 which is not the appropriate word, and they intend to
19 change, but to create somewhat of a probationary -- put
20 them on probation and give them a corrective plan up to
21 a maximum of three years to correct those issues that
22 have been identified and clearly -- clearly identified
23 in the petition and that there has been a foundation
24 for.

25 And the third one is the process for

1 revocation of the certificate and placing it in
2 receivership, pursuant to the current process of
3 abandonment procedures.

4 **CHAIRMAN GRAHAM:** Has there been -- I know
5 you're saying that the staff -- legislative staff has
6 been talking about it, but to me it seems like -- that
7 65 percent seems like a huge number. Because if you've
8 got 65 percent of all the meters, then that's a huge
9 problem that's out there. And I guess the question I
10 have, is this 65 percent of all the customers, or is
11 it one of those things where they will send out a
12 petition in the bill, and if 65 percent of the ones that
13 get returned say that? I mean, those could be
14 completely different things. Because I think you are
15 always going to see about 35 percent apathy out there.
16 So how do you ever get --

17 **MS. PENNINGTON:** Well, you know, there is a
18 difference between the way the bill is currently written
19 and some issues that they have asked us to help them
20 define. And one of those issues is that very issue and
21 how that process would work. But right now the bill
22 currently says that it's 65 percent of customers, and we
23 are still struggling to define customer.

24 But the intent is one meter. If you have five
25 people living at one address, it's one vote. If you

1 have -- maybe have two meters, or, you know, you own one
2 and you also own a rental, you would likely have two
3 votes. Or if you owned five other rental units you
4 would have that many votes. It's the one meter kind of
5 thing. And we would exclude meters for irrigation, I
6 think that's one of the things that we have looked at as
7 well.

8 And then the other thing is it provides for,
9 if there's a master meter, 65 percent of the residents.
10 And that still needs to be defined a little better, as
11 well.

12 **COMMISSIONER BRISÉ:** Nothing else on this
13 particular bill. What's the threshold to get a joint
14 resolution passed in --

15 **MS. PENNINGTON:** I believe it's two-thirds, a
16 two-thirds vote in both houses.

17 **COMMISSIONER BRISÉ:** Okay.

18 **CHAIRMAN GRAHAM:** Anything else? Is that it
19 for --

20 **MS. PENNINGTON:** Yes, sir.

21 **CHAIRMAN GRAHAM:** Okay. Well, thank you.

22 **MS. PENNINGTON:** Thank you.

23 **CHAIRMAN GRAHAM:** Executive Director's report.

24 **MR. BAEZ:** Thank you, Mr. Chairman.

25 Commissioners, I just wanted to put a couple

1 of things on your radar, going back to the grant funding
2 and so forth.

3 Actually, one of the things that we did try to
4 do, and you may have heard me mention it on a couple of
5 occasions, is to try and get the most bang for our buck
6 and try and leverage those funding, having leveraged
7 those funding dollars into projects or benefits that
8 would keep giving even after the period was gone. And
9 we are well into that period now.

10 And I wanted to put something on your -- make
11 you aware of something. One of the uses -- the funding,
12 we use the funding in part to provide leadership
13 training. You may have heard me mention it on a couple
14 of occasions prior. We have two classes this go around,
15 and 31 employees were able to participate in the two
16 separate classes. And as a follow on, you may recall we
17 had -- we had some staff-driven projects that were being
18 undertaken. And I wanted to let you know that we have
19 our first of those projects out of the gate.

20 One of our teams, one of our leadership teams
21 got busy putting together and aggregating a training
22 website to provide training resources for the entire
23 agency in the form of a website, the link of which is
24 located on your Internet web. If you want to check it
25 out, it's on the top left-hand corner, it's under PSC

1 Regulatory Training.

2 It's organized from large to small, and you
3 can access it in any number of ways, but I think the
4 purpose of it -- and I'm paraphrasing the team, so I
5 hope they won't judge me too harshly -- I think the
6 purpose was to give every employee at the agency the
7 ability to learn more about not just the agency and the
8 work that we do in all the different, across the
9 different industries, but also to understand and have a
10 better appreciation and understanding for our place as
11 part of state government.

12 So if you do visit the website, and I hope
13 that you will, you will see that it goes from the State
14 of Florida down to an industry. And as I mentioned,
15 managers can access it any number of ways in order to
16 fashion new employee training, existing employee
17 cross-training and the like.

18 So I commend it to you and urge you to check
19 it out if you have a burning desire to learn more about
20 the regulatory compact, or CIAC, or anything else that
21 got mentioned here, I recommend it to you.

22 As a preview to something that will be shortly
23 added to it, one of the other teams is involved in
24 putting together a module that will be included for the
25 website that deals mainly with managerial training. So

1 when we have a new manager, there's a resource there
2 readily available for them to be able to access and help
3 them along with their professional development, as well.
4 So be on the lookout.

5 That's all for now. Thank you.

6 **CHAIRMAN GRAHAM:** Questions?

7 **COMMISSIONER BALBIS:** I was just nervous he
8 was going to say he was \$450,000 short.

9 (Laughter.)

10 **MR. BAEZ:** No.

11 **CHAIRMAN GRAHAM:** Thank you for the report.

12 **MR. BAEZ:** Thank you, Chairman.

13 **CHAIRMAN GRAHAM:** Other matters?

14 Seeing none. Okay. Well, that means that I
15 think we are done. So this meeting is adjourned, and
16 everybody travel safely.

17 (The Internal Affairs meeting concluded at
18 11:01 a.m.)

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STATE OF FLORIDA)

: CERTIFICATE OF REPORTER

COUNTY OF LEON)

I, JANE FAUROT, RPR, Chief, Hearing Reporter Services Section, FPSC Division of Commission Clerk, 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 30th day of January, 2014.



JANE FAUROT, RPR
Official FPSC Hearings Reporter
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