

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: July 8, 2004

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Economic Regulation (Harlow, Colson, Sickel)
Office of the General Counsel (Vining)

RE: Docket No. 040029-EG – Petition for approval of numeric conservation goals by Florida Power & Light Company.

AGENDA: 07/20/04 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

CRITICAL DATES: New conservation goals must be set by January 1, 2005

SPECIAL INSTRUCTIONS: Take up recommendations for Docket Nos. 040029-EG, 040030-EG, 040031-EG, 040032-EG, 040033-EG, 040034-EG, and 040035-EG consecutively

FILE NAME AND LOCATION: S:\PSC\ECR\WP\040029.RCM.DOC

Case Background

Section 366.82, Florida Statutes, part of the Florida Energy Efficiency and Conservation Act (FEECA), requires the Commission to adopt goals to increase the efficiency of energy consumption, increase the development of cogeneration, and reduce and control the growth rates of electric consumption and weather-sensitive peak demand. Pursuant to Section 366.82(2), Florida Statutes, the Commission must review a utility's conservation goals not less than every five years. These statutes are implemented by Rules 25-17.001 and 25-17.0021, Florida Administrative Code.

The Commission first established numeric conservation goals for Florida Power and Light Company (FPL) in Order No. PSC-94-1313-FOF-EG, issued October 25, 1994, in Docket No. 930548-EG, In Re: Adoption of Numeric Conservation Goals and Consideration of National Energy Policy Act Standards (Section 111) by Florida Power and Light Company. In that order, the Commission found:

We will set overall conservation goals for each utility based on measures that pass both the participant and (Rate Impact Measure) RIM tests. The record in this docket reflects that the difference in demand and energy savings between RIM and (Total Resource Cost) TRC portfolios are negligible. We find that goals based on measures that pass TRC but not RIM would result in increased rates and would cause customers who do not participate in a utility DSM measure to subsidize customers who do participate. Since the record reflects that the benefits of adopting a TRC goal are minimal, we do not believe that increasing rates, even slightly, is justified.

The Commission set numeric conservation goals for FPL a second time in Order No. PSC-99-1942-FOF-EG, issued October 1, 1999, in Docket No. 971004-EG, In Re: Adoption of Numeric Conservation Goals by Florida Power and Light Company. In setting FPL's numeric goals, the Commission accepted a stipulation between FPL and the Legal Environmental Assistance Foundation. Again, FPL's numeric goals were based on measures that passed the participant and RIM tests.

The instant docket, opened on January 13, 2004, represents the third time that the Commission will set numeric conservation goals for FPL. On June 1, 2004, FPL timely filed its new numeric goals. FPL also filed testimony and exhibits in support of the proposed goals.

The Florida Industrial Power Users Group (FIPUG) was granted leave to intervene on May 5, 2004. The Florida Industrial Cogeneration Association (FICA) was granted leave to intervene on May 12, 2004.

This recommendation addresses FPL's petition for approval of its numeric conservation goals. The Commission has jurisdiction over this matter pursuant to Sections 366.81 and 366.82, Florida Statutes.

Discussion of Issues

Issue 1: Should the Commission approve Florida Power and Light Company's numeric conservation goals for the 2005 through 2014 period?

Recommendation: Yes. The programs, assumptions, and evaluation methodology used by FPL to develop its proposed numeric goals are reasonable and adequately meet the requirements of Rule 25-17.0021, Florida Administrative Code. FPL appropriately used the RIM and participant tests to determine the cost-effective level of achievable demand-side management (DSM) demand and energy savings. (Harlow, Colson, Sickel)

Staff Analysis: FPL used a multi-stage analysis in developing its proposed DSM goals. FPL first selected the potential measures to be analyzed for cost-effectiveness. FPL included the 205 measures analyzed in the Commission's two previous goal setting proceedings. FPL also included 124 additional measures, for a total of 329 measures. Each potential measure was then evaluated for cost-effectiveness against a base-case, supply-side only expansion plan.

FPL calculated RIM and participant test values for each potential measure. FPL also screened out measures which would have a payback period of less than two years for consumers. FPL's analysis resulted in 92 measures which passed the RIM test and did not have payback periods less than two years. The seasonal demand and annual energy savings associated with these cost-effective measures were then summed by market segment to arrive at FPL's proposed goals. These goals are as follows:

PROPOSED CONSERVATION GOALS - CUMULATIVE

Year	Residential			Commercial / Industrial		
	Summer MW	Winter MW	Annual GWh	Summer MW	Winter MW	Annual GWh
2005	47.8	26.0	90.3	26.3	12.8	31.5
2006	91.9	55.6	166.0	49.8	23.7	50.8
2007	140.6	89.2	246.9	71.3	33.3	59.1
2008	194.6	127.3	333.3	92.6	43.2	67.8
2009	252.1	168.0	424.1	113.8	53.5	77.0
2010	313.2	211.3	519.5	134.6	63.9	86.5
2011	377.1	256.5	617.9	155.1	74.4	96.4
2012	443.6	303.3	719.3	175.2	85.1	106.5
2013	512.8	352.0	823.7	195.1	96.1	116.9
2014	586.9	405.1	931.0	214.9	107.3	127.6

A comparison of FPL's current and proposed conservation goals is shown below. As seen in the table, FPL's proposed residential demand goals are higher than its existing goals, while FPL's proposed energy and commercial/industrial demand goals are lower than existing goals. FPL attributed the decrease primarily to the new minimum efficiency levels in the Florida State Energy Code, which will take effect in 2005. The increased efficiency level required by Florida's energy code will reduce the potential demand and energy savings of several of FPL's programs. The greatest impact of the building code changes can be seen in FPL's Commercial/Industrial Building Envelope; Heating, Ventilating, and Air-Conditioning; and Efficient Lighting programs. It should be noted that, according to FPL's most recent FEECA report, FPL has been successful in surpassing all six of its existing numeric demand and energy goals.

COMPARISON OF PROPOSED AND EXISTING CONSERVATION GOALS

Year	Residential			Commercial / Industrial		
	Summer MW	Winter MW	GWh	Summer MW	Winter MW	GWh
Existing (<i>cumulative 2000-2009</i>)	485.9	372.4	943.2	278.8	133.0	343.4
Proposed (<i>cumulative 2005-2014</i>)	586.9	405.1	931.0	214.9	107.3	127.6

Staff has reviewed the programs, assumptions, and evaluation methodology used by FPL and believes they are reasonable. The DSM measures evaluated are based on an adequate assessment of the market segments and major end-use categories in accordance with Rule 25-17.0021(3), Florida Administrative Code. In addition, as required by the rule, FPL's analysis adequately reflects consideration of overlapping measures, rebound effects, free riders, interactions with building codes and appliance efficiency standards, and FPL's latest monitoring and evaluation of conservation programs and measures. FPL appropriately used the RIM and participant tests to determine the cost-effective level of achievable DSM goals. Therefore, staff recommends that FPL's proposed annual residential and commercial/industrial winter and summer kW and annual kWh conservation goals for the period 2005 through 2014 should be approved.

Issue 2: Should Florida Power and Light Company be required to file a Demand-Side Management Plan?

Recommendation: Yes. If staff's recommendation in Issue 1 is approved, FPL should be required to file a DSM Plan within 90 days of the issuance of the Commission's consummating order, as required by Rule 25-17.0021(4), Florida Administrative Code. (Harlow, Colson, Sickel)

Staff Analysis: Rule 25-17.0021(4), Florida Administrative Code, requires each FEECA utility to submit for Commission approval a demand-side management plan designed to meet the utility's approved goals, within 90 days of the issuance of the Commission's conservation goals order. In accordance with the rule, FPL should be required to submit its demand-side management plan within 90 days of the issuance of the Commission's consummating order. FPL's plan should specify the DSM programs which will be offered by FPL in order to meet its approved DSM goals for 2005 through 2014. The plan should provide information about each program, as specified in Rule 25-17.0021(4), Florida Administrative Code, including: 1) details of the policies and procedures of the program; 2) the number of eligible customers; 3) participation estimates; 4) demand and energy savings estimates; 5) a methodology for measuring the actual program savings; and, 6) cost-effectiveness estimates.

Docket No. 040029-EG

Date: July 8, 2004

Issue 3: Should this docket be closed?

Recommendation: No. This docket should remain open to allow the Commission to address FPL's DSM Plan. (Vining)

Staff Analysis: This docket should remain open to allow the Commission to address FPL's DSM Plan.