

State of Florida



Public Service Commission

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-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. 040032-EG – Petition for approval of numeric conservation goals by Gulf Power 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\040032.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 Gulf Power Company (Gulf) in Order No. PSC-94-1313-FOF-EG, issued October 25, 1994, in Docket No. 930550-EG, In Re: Adoption of Numeric Conservation Goals and Consideration of National Energy Policy Act Standards (Section 111) by Gulf Power 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 saving 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 Gulf a second time in Order No. PSC-99-1942-FOF-EG, issued October 1, 1999, in Docket No. 971006-EG, In Re: Adoption of Numeric Conservation Goals by Gulf Power Company. In setting Gulf's goals, the Commission accepted a stipulation between Gulf and the Legal Environmental Assistance Foundation. Again, Gulf'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 Gulf. On June 1, 2004, Gulf timely filed its new numeric goals. Gulf 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 Gulf'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 Gulf Power Company's numeric conservation goals for the 2005 through 2014 period?

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

Staff Analysis: In developing its numeric conservation goals, Gulf selected the measures to be evaluated which were identified by the Commission when it set goals in 1999. Gulf determined its avoided costs by selecting the next planned capacity addition from its 2004 Ten-Year Site Plan, a combustion turbine with an expected 2009 in-service date. Gulf's initial cost-effectiveness screening of these 120 measures resulted in eight measures for residential customers, and 26 commercial/industrial measures, which passed both the RIM and participant tests. Gulf then performed a final review using more current market data and building codes. In addition, the expected savings and participation rates were adjusted to reflect overlapping measures, and any expected rebound and free rider effects. Several measures were dropped as a result of this final analysis. The seasonal demand and annual energy savings associated with these cost-effective measures were summed by market segment to arrive at Gulf's proposed goals, as indicated below.

PROPOSED CONSERVATION GOALS – CUMULATIVE

Year	Residential			Commercial / Industrial		
	Summer MW	Winter MW	Annual GWh	Summer MW	Winter MW	Annual GWh
2005	5.9	7.2	3.1	10.7	5.2	2.1
2006	11.8	14.4	6.2	17.5	8.5	4.1
2007	17.7	21.7	9.2	22.3	10.7	6.5
2008	23.6	28.9	12.3	23.1	11.0	8.9
2009	29.5	36.1	15.4	24.0	11.3	11.3
2010	35.0	42.8	17.9	24.8	11.5	13.6
2011	40.5	49.4	20.4	25.7	11.8	16.0
2012	46.0	56.1	22.8	26.5	12.0	18.4
2013	51.4	62.7	25.3	27.3	12.3	20.8
2014	56.9	69.4	27.8	28.2	12.6	23.2

A comparison of Gulf's current and proposed conservation goals is shown below. Gulf has not met its existing cumulative residential or commercial/industrial demand goals, or its residential energy goals. Gulf has recently begun meeting its annual commercial/industrial goals, but Gulf is not meeting its annual residential goals, due primarily to lower than expected results from two programs, the GoodCents Select and Ground Source Heat Pump programs. Gulf has revised the expected participation levels in these two programs based on recent experience, resulting in a significant reduction in Gulf's proposed residential demand and energy goals, as indicated in the table below. Gulf's proposed commercial/industrial demand goals have also been reduced. Gulf has reduced the expected demand and energy savings for its commercial/industrial GoodCents Commercial Building program due to future changes in the building code. These increased efficiency standards take effect for heat pumps and air conditioners in 2006, and will reduce the expected participation levels, and demand and energy savings for Gulf's GoodCents Commercial Building program. In addition, Gulf included interruptible service in its existing goals, but has not included this program in its proposed DSM goals. The demand savings from interruptible service in Gulf's existing goals was attributed to one customer with a special service agreement. This contract has expired, and Gulf has not identified additional opportunities for interruptible service.

COMPARISON OF CURRENT AND PROPOSED CONSERVATION GOALS

Year	Residential			Commercial / Industrial		
	Summer MW	Winter MW	Annual GWh	Summer MW	Winter MW	Annual GWh
Existing (<i>cumulative</i> 2000-2009)	125.9	145.9	113.1	44.8	35.8	19.3
Proposed (<i>cumulative</i> 2005-2014)	56.9	69.4	27.8	28.2	12.6	23.2

Staff has reviewed the programs, assumptions, and evaluation methodology used by Gulf 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, Gulf's analysis adequately reflects consideration of overlapping measures, rebound effects, free riders, interactions with building codes and appliance efficiency standards, and Gulf's latest monitoring and evaluation of conservation programs and measures. Gulf's chosen avoided unit and the associated assumptions reflect the information provided in Gulf's latest Ten-Year Site Plan and are reasonable. Gulf appropriately used the RIM test to determine the cost-effective level of achievable DSM goals. Therefore staff recommends that Gulf's proposed conservation goals should be approved.

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

Recommendation: Yes. If staff's recommendation in Issue 1 is approved, Gulf 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, Gulf should be required to submit its demand-side management plan within 90 days of the issuance of the Commission's consummating order. Gulf's plan should specify the DSM programs which will be offered by Gulf 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.

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Issue 3: Should this docket be closed?

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

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