

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 (Haff, Colson, Sickel)
Office of the General Counsel (Vining)

RE: Docket No. 040033-EG – Petition for approval of numeric conservation goals by Tampa Electric 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\040033.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 Tampa Electric Company (TECO) in Order No. PSC-94-1313-FOF-EG, issued October 25, 1994 in Docket No. 930551-EG, In Re: Adoption of Numeric Conservation Goals and Consideration of National Energy Policy Act Standards (Section 111) by Tampa Electric 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 TECO a second time in Order No. PSC-99-1942-FOF-EG, issued October 1, 1999, in Docket No. 971007-EG, In Re: Adoption of Numeric Conservation Goals by Tampa Electric Company. In setting TECO's numeric goals, the Commission accepted a stipulation between TECO and the Legal Environmental Assistance Foundation. Again, TECO'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 TECO. On June 1, 2004, TECO timely filed its new numeric goals. TECO also filed testimony and exhibits in support of its proposed numeric 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 TECO'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 Tampa Electric Company's numeric conservation goals for the 2005-2014 period?

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

Staff Analysis: In developing its numeric conservation goals, TECO evaluated the measures identified by the Commission when it set goals in 1994 and again in 1999. In addition, TECO separately evaluated measures from its existing demand-side management (DSM) programs. The evaluation considered the issues and end-use categories specified in Rule 25-17.0021(3), Florida Administrative Code. All potential measures were evaluated against a base case, supply-side only expansion plan for cost-effectiveness using the RIM, TRC, and participant tests. From TECO's analysis, eleven residential and twenty-five commercial/industrial measures passed the RIM test. The seasonal demand and annual energy savings associated with these cost-effective measures were summed by market segment to arrive at TECO'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	2.4	4.0	7.0	2.1	1.0	6.7
2006	4.4	6.7	12.6	4.4	2.0	12.8
2007	6.2	9.1	17.9	6.0	2.9	18.4
2008	7.9	11.4	22.7	7.7	3.8	23.4
2009	9.5	13.4	27.2	9.3	4.7	27.8
2010	10.9	15.2	31.2	10.7	5.5	31.7
2011	12.2	16.7	34.9	12.1	6.2	35.0
2012	13.3	18.1	38.2	13.3	6.9	37.7
2013	14.3	19.2	41.0	14.3	7.6	39.9
2014	15.2	20.1	43.5	15.3	8.2	41.5

According to its most recent FEECA report, TECO has been successful in surpassing five of its six current numeric conservation goals that were set by the Commission in 1999. TECO has not met its current residential winter demand goal, primarily because of decreased participation in existing DSM programs. All six of TECO's proposed numeric goals are considerably lower than the current goals. The primary reasons for the reduced goals are: (1) the existing Residential Load Management, a substantial contributor to demand savings in past years, is no longer cost-effective and is not used to set TECO's proposed goals; (2) TECO expects decreased participation in existing DSM programs due to saturation; and, (3) the cost of combustion turbine generating units has substantially decreased in the last five years. A comparison of TECO's current and proposed conservation goals is shown below.

COMPARISON OF CURRENT AND PROPOSED CONSERVATION GOALS

Year	Residential			Commercial / Industrial		
	Summer MW	Winter MW	Annual GWh	Summer MW	Winter MW	Annual GWh
Current (cumulative 2000-2009)	40.3	109.1	75.3	30.8	13.4	114.1
Proposed (cumulative 2005-2014)	15.2	20.1	43.5	15.3	8.2	41.5

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

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

Recommendation: Yes. If the Commission approves staff's recommendation in Issue 1, TECO 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. (Haff, 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, TECO should be required to submit its DSM Plan within 90 days of the issuance of the Commission's consummating order. TECO's plan should specify the DSM programs which will be offered by TECO in order to meet its approved DSM goals for 2005 through 2014. The plan should provide the information about each program 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.

Issue 3: Should this docket be closed?

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

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