

State of Florida



**Public Service Commission**

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

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**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. 040035-EG – Petition for approval of numeric conservation goals by Orlando Utilities Commission

**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\040035.RCM.DOC

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**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 goals for Orlando Utilities Commission (OUC) in Order No. PSC-95-0461-FOF-EG, issued April 10, 1995, in Docket No. 930558-EG, In Re: Adoption of Numeric Conservation Goals and Consideration of National Energy Policy Act Standards (Section 111) by Orlando Utilities Commission. These goals were based on measures that were cost-effective under the participant and rate impact measure (RIM) tests.

The Commission set numeric goals for OUC a second time in Order No. PSC-00-0587-FOF-EG, issued March 23, 2000, in Docket No. 990722-EG, In Re: Adoption of Numeric Conservation Goals and Consideration of National Energy Act Standards (Section 111) by Orlando Utilities Commission. OUC's numeric goals were set at zero because none of the measures evaluated by OUC passed both 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 OUC. On May 28, 2004, OUC timely filed its proposed numeric goals. OUC also filed testimony and exhibits in support of the proposed goals.

Rule 25-17.0021(4), Florida Administrative Code, requires that within 90 days of a final order establishing goals, a utility shall submit a demand-side management (DSM) plan which contains conservation and DSM programs designed to meet its numeric goals. As part of its numeric goals filing, OUC submitted a DSM Plan which contains OUC's existing conservation programs. Pursuant to Order No. PSC-00-0587-FOF-EG, Rule 25-17.0021(4), Florida Administrative Code, requiring a utility to file a DSM Plan, does not apply if the Commission approves goals set to zero.

This recommendation addresses OUC's petition for approval of its numeric conservation goals and approval of its DSM Plan. 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 Orlando Utilities Commission's numeric conservation goals for the 2005 through 2014 period?

**Recommendation:** Yes. The programs, assumptions, and evaluation methodology used by OUC are reasonable and adequately meet the requirements of Rule 25-17.0021, Florida Administrative Code. OUC appropriately used the RIM test to determine the cost-effective level of achievable DSM goals, and found that none of the tested measures were cost-effective. Therefore, OUC's proposed numeric conservation goals of zero for the period 2005 through 2014 should be approved. (Harlow, Colson, Sickel)

**Staff Analysis:** OUC states that, according to its analysis, no DSM programs were found to be cost-effective for the utility. Therefore, as shown in the following table, OUC has proposed that its DSM goals be set at zero for 2005 through 2014.

PROPOSED CONSERVATION GOALS - CUMULATIVE

Year	Residential			Commercial / Industrial		
	Summer MW	Winter MW	Annual GWh	Summer MW	Winter MW	Annual GWh
2005	0	0	0	0	0	0
2006	0	0	0	0	0	0
2007	0	0	0	0	0	0
2008	0	0	0	0	0	0
2009	0	0	0	0	0	0
2010	0	0	0	0	0	0
2011	0	0	0	0	0	0
2012	0	0	0	0	0	0
2013	0	0	0	0	0	0
2014	0	0	0	0	0	0

OUC used a three-step process to develop its proposed numeric DSM goals. OUC first determined the DSM measures which would be evaluated for cost-effectiveness. OUC selected approximately 200 DSM measures for evaluation from several sources, including: 1) the measures suggested by the Commission in Docket Nos. 971004 through 971007; 2) existing OUC conservation measures; and, 3) Commission filings from other Florida utilities. OUC then determined its avoided costs by selecting the next planned capacity addition from its 2004 Ten-Year Site Plan, a combustion turbine with an expected 2008 in-service date. Finally, OUC

evaluated each of the selected DSM measures for cost-effectiveness using the Commission-approved Florida Integrated Resource Evaluator (FIRE) model. The FIRE model considers the costs of the identified avoided unit versus DSM program costs. The FIRE model results in three benefit to cost ratios: the Rate Impact Test (RIM), the Total Resource Cost Test, and the Participant Test.

OUC evaluated each DSM program for cost-effectiveness using the RIM test. None of the approximately 200 programs tested passed RIM with a value greater than 1.0. Therefore, none of the programs tested were found to be cost-effective.

Staff has reviewed the programs, assumptions, and evaluation methodology used by OUC 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, OUC's analysis adequately reflects consideration of overlapping measures, rebound effects, free riders, interactions with building codes and appliance efficiency standards, and OUC's latest monitoring and evaluation of conservation programs and measures. OUC's chosen avoided unit and the associated assumptions reflect the information provided in OUC's latest Ten-Year Site Plan and are reasonable. OUC appropriately used the RIM test to determine the cost-effective level of achievable DSM goals, and found that none of the tested measures were cost-effective.

Because no DSM measures were found to be cost-effective, staff believes it is not appropriate to establish positive conservation goals for OUC. Therefore, staff recommends that OUC's proposed annual residential winter and summer kW and annual residential kWh conservation goals of zero for the period 2005 through 2014 should be approved. Staff also recommends that OUC's proposed annual commercial/industrial winter and summer kW and annual commercial/industrial kWh conservation goals of zero should be approved.

**Issue 2:** Should the Commission acknowledge Orlando Utilities Commission's DSM Plan?

**Recommendation:** Yes. If staff's recommendation in Issue 1 is approved, OUC's numeric conservation goals will be set at zero and OUC should not be required to file a DSM Plan. However, OUC has already filed a DSM Plan, consisting of existing programs, which should be acknowledged by the Commission for informational purposes. OUC should not be required to file program standards. (Harlow, Colson, Sickel)

**Staff Analysis:** Rule 25-17.0021(4), Florida Administrative Code, requires that each FEECA utility, within 90 days of the issuance of the Commission's conservation goals order, submit for the Commission's approval a DSM Plan designed to meet its approved numeric conservation goals. If staff's recommendation in Issue 1 is approved, OUC's numeric conservation goals for 2005 through 2014 will be set at zero. Therefore, as stated in Order No. PSC-00-0587-FOF-EG, Rule 25-17.0021(4), Florida Administrative Code, which requires utilities to file a DSM Plan, does not apply in this instance. Nevertheless, OUC filed a DSM Plan in which OUC proposes to continue its existing DSM programs, as summarized below:

**Residential Programs:**

1. *Energy Survey Program:* provides walk-through, video and compact disk, and on-line energy surveys for all residential customers.
2. *Energy Efficiency Rebate Program:* provides incentives to customers to implement building envelope efficiency improvements as recommended in an energy audit.
3. *Low-Income Home Energy Fix-Up Program:* offers 85 percent of the cost of specified home weatherization measures recommended in an energy audit to residential customers with total annual income less than \$25,000.
4. *Insulation Billed Solution Program:* Provides \$100 incentive and two-year financing for R-19 level attic insulation installation.
5. *Efficient Electric Heat Pump Program:* Provides incentives for customers to replace an inefficient existing HVAC system with energy efficient heat pumps.
6. *Gold Ring Program:* New construction efficiency program which provides a free Energy Star Rating and blower door test to new homes which meet specified efficiency standards.
7. *Energy Conservation Rate:* In October 2002, OUC implemented a two-tier residential rate to encourage energy conservation. Customers using more than 1,000 kWh per month pay a higher rate for that energy which is above 1,000 kWh.

**Commercial Programs:**

1. *Energy Survey Program*: Walk-through energy audit which provides detailed written recommendations to increase energy and water usage efficiency.
2. *Indoor Lighting Retrofit Program*: Provides discounted installation and special financing for replacement of inefficient lighting with more efficient lighting technologies.
3. *OUCconsumption Online Program*: Provides the ability for customers to analyze energy usage and demand for multiple locations from a desktop computer. Customers benefit by the increased ability to manage their electric load. Participating customers are responsible for the costs of the additional infrastructure and must pay a \$35 monthly fee.
4. *OUCconvenient Lighting Program*: Provides complete efficient outdoor lighting services for commercial applications including industrial parks, sports complexes, and residential developments. Participants are responsible for the costs of each fixture.
5. *OUCooling*: Under this program, OUC will fund, install, and maintain a central chiller plant for each participating business district. This reduces air conditioning, capital, and operating costs for participating businesses.

Staff believes it is reasonable to allow OUC to determine whether or not such programs should be continued because OUC is best-situated to determine its customers' needs. Further, OUC is not a rate-regulated utility and does not recover the costs of such programs through the Commission's Energy Conservation Cost Recovery clause. According to Order No. PSC-00-0587-FOF-EG, Rule 25-17.0021(4), Florida Administrative Code, requiring OUC to file a DSM Plan, does not apply in the instance where goals are set at zero. Therefore, staff recommends that OUC's DSM Plan should be acknowledged by the Commission for informational purposes. Staff further recommends that OUC should not be required to file program standards. Program standards establish customer eligibility for DSM programs and provide procedures for payment of incentives. These standards provide documentation for the Commission for future audits. Because such Commission audits are not necessary for municipal utilities, OUC should not be required to file program standards.

**Issue 3:** Should this docket be closed?

**Recommendation:** If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. (Vining)

**Staff Analysis:** If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order.