
From: Lisa Scoles [lscoles@radeylaw.com]
Sent: Friday, August 29, 2008 2:20 PM
To: Mark Futrell; Karen Webb
Cc: Susan Clark
Subject: IOUs' Decoupling Post-Workshop Comments
Attachments: IOUs' Decoupling Post-Workshop Comments 08.29.08.pdf

Decoupling Post-Workshop Comments –

a. Person responsible for this document:

Susan F. Clark
Radey Thomas Yon & Clark, P.A.
301 South Bronough Street, Suite 200
Tallahassee, Florida 32301
(850) 425-6654
sclark@radeylaw.com

b. Undocketed – Florida Public Service Commission Workshop on Utility Revenue Decoupling, August 7, 2008

c. Document being filed on behalf of Florida Power & Light Company, Gulf Power Company, Progress Energy of Florida and Tampa Electric Company, hereinafter the Investor-Owned Utilities (IOUs)

d. There are a total of 6 pages.

e. The document attached is the Joint Post-Workshop Comments of Florida Power & Light Company, Gulf Power Company, Progress Energy of Florida and Tampa Electric Company

(See attached file: IOUs' Decoupling Post-Workshop Comments 08.29.08)

Please let me know if you have any trouble opening the attached or need anything further. Thank you!

Lisa Scoles, JD, MBA

RADEY | THOMAS | YON | CLARK
Attorneys & Counselors at Law

301 S. Bronough Street, Suite 200
Tallahassee, Florida 32301
Telephone: 850.425.6662
Receptionist: 850.425.6654
Facsimile: 850.425.6694
Email: lscoles@radeylaw.com
www.radeylaw.com

**Joint Post-Workshop Comments of Florida Power & Light Company,
Gulf Power Company, Progress Energy of Florida
and Tampa Electric Company**

**Undocketed
Florida Public Service Commission
Workshop on Utility Revenue Decoupling
August 7, 2008**

Introduction

Florida Power & Light Company (FPL), Gulf Power Company (Gulf), Progress Energy of Florida (PEF) and Tampa Electric Company (Tampa Electric), hereinafter the Investor-Owned Utilities (IOUs), jointly file these Post-Workshop Comments.

As expressed at the August 7, 2008, workshop, the IOUs vigorously support energy efficiency and demand side management (DSM) measures and have been successful, working with the Florida Public Service Commission (FPSC or Commission), in encouraging and helping customers to use less energy and to use energy more efficiently, while minimizing rate impacts to customers. This has been possible due to Florida's conducive statutory framework, including the Florida Energy Efficiency and Conservation Act (FEECA), highly effective Commission oversight and active IOU implementation of all approved energy efficiency and DSM measures. The IOUs and the Commission have consistently promoted energy efficiency since 1980, and Florida ranks second among all states in the implementation of demand response and energy efficiency programs.¹ The IOUs remain committed to measures to manage demand and to increase energy efficiency.

¹ U.S. Department of Energy, Energy Information Administration, Form EIA-861 database.

Key Points

As the Commission researches the issue of decoupling and evaluates the merits of experimenting with decoupling again in Florida, the IOUs suggest that several important points be considered. First, there should be no wholesale endorsement of decoupling. Decoupling should only be considered if and when a specific proposal applicable to a specific company is made.² Second, no participant at the workshop recommended decoupling in isolation. Even proponents of decoupling who made presentations at the workshop agreed that decoupling needed to be part of a “suite of tools” to promote energy efficiency and that goals for energy efficiency and DSM must be set as well. Moreover, it has not been shown that states pursuing decoupling have implemented more aggressive energy efficiency and DSM goals, and there were no parties at the workshop who even suggested (let alone demonstrated) that Florida would have higher goals under decoupling than would be developed under the current Florida energy efficiency model. Florida’s current regulatory model has benefited customers and implementing decoupling would disrupt this regulatory model and revert to a system of frequent, highly administrative rate reviews.

Additionally, Florida’s previous experience with decoupling, via Florida Power Corporation’s (FPC) decoupling experiment conducted from January 1, 1995, through December 31, 1997, showed decoupling to be burdensome with no demonstrated benefits. In a memorandum prepared by Commission technical staff, it was noted that the revenue decoupling experiment had resulted in little or no impact on FPC’s DSM efforts. *See Memorandum from*

² At the workshop, Scott Carter, AGL Resources, made the point that decoupling does not work in every circumstance and that each situation is different. (T. 47). Thus, decisions about decoupling should be made only when a company brings a specific decoupling proposal forward. (T. 52).

Mr. Lee R. Colson to Dr. Mary A. Bane, Docket No. 930444-EI, p. 5 (Aug. 21, 1998). An analysis of Conservation Achievement Factors (CAFs) and Conservation Load Factor Ratios (CLFRs) did not indicate that decoupling induced consistent or further DSM efforts. *Id.* at 4. In summary, staff noted:

Little can be concluded by comparing FPC's CAFs and CLFRs to the CAFs and CLFRs of the three other utilities [that were not participating in the decoupling experiment]. . . . In summary, the experiment suggests little or no change in FPC's DSM policy due to decoupling.

Id. at 6-7.

Finally, it is important to note that no Florida-based stakeholder participating in the workshop supported decoupling. In addition to the IOUs, the Office of Public Counsel and the Florida Industrial Power Users Group each stated that there is not a need to implement decoupling to encourage energy efficiency.

Responses to Comments Made at the Workshop

In addition to the points noted above, the IOUs would also like to respond to some of the comments made at the August 7, 2008, workshop. Mr. Luis Martínez, Natural Resources Defense Council, cited California's experience as an argument in favor of decoupling, praising California's efficiency gains and low average monthly residential bills. (T. 19-20). Regarding efficiency, California has set aggressive energy efficiency goals, so it is unclear what portion of gains in this area, if any, are attributable to decoupling. In addition, while bills in California may not be high, *rates* are, and these high rates could also be responsible for Californians' reduced consumption.³ Bills in Florida are higher largely because of the unique circumstances in Florida, such as the need for air conditioning several months out of the year.

³ Mr. Martínez conceded that California's rates are "more expensive" than rates in other states, such as Florida. (T. 19).

At the workshop, Mr. George Cavros of the Southern Alliance for Clean Energy stated that Florida lags behind other states in reducing energy consumption, citing results from energy efficiency programs operated in 2006 and 2007. (T. 55-56). Mr. Cavros's figures are misleading as they focus on two isolated years. It is true that the focus of the Florida IOUs has been power plant deferral while minimizing the rate impacts for both program participants and all customers. This has resulted in an emphasis on load management and peak coincident energy efficiency. Regardless of the emphasis, however, the IOUs have still done an exemplary job of reducing energy consumption and have done so consistently over many years.⁴ Because of this consistency, Florida IOUs have little "low hanging fruit" compared to other utilities.⁵ Looking at the longer-term picture, Florida's energy efficiency figures are notable. Indeed, as indicated in the Commission's *February 2008 Annual Report on Activities Pursuant to the Florida Energy Efficiency and Conservation Act*, the cumulative savings in Florida achieved via energy efficiency and DSM are significant. According to the report:

Since the enactment of FEECA, utility-sponsored demand-side management (DSM) programs have reduced statewide summer peak demand by an estimated 5,685 megawatts (MW) and winter peak demand by 6,100 MW. Annual energy savings from utility-sponsored DSM programs were estimated to be 6,977 gigawatt-hours (GWh) in 2007. The demand savings from these programs has deferred the need for over 30 typical 150 MW combustion turbine units, or enough capacity to service approximately 1.6 million households.

⁴ In the 1990s and early 2000, while spending nationwide on demand management fell by 53%, Florida's spending continued. In the 1998-2003 timeframe, Florida's spending on demand management constituted 19% of the spending nationwide.

⁵ For example, FPL leads in cumulative energy efficiency MW with 2,009 MW, while PEF ranks seventh with 611 MW. FPL also ranks fourth in cumulative energy efficiency MWh, with 3,862,830, based on U.S. Department of Energy, Energy Information Administration data for 2006, which is the most current data available.

February 2008 Annual Report, p. 2. Mr. Cavros's criticism that Florida ranked 29th in the 2006 Energy Efficiency Scorecard of the American Council for an Energy Efficiency Economy (ACEEE) is misplaced. Use of the ACEEE data is not an appropriate measure of the utilities' results since it includes several components, most of which are not under the control of the utilities, such as building codes, transportation policies and appliance standards.⁶

Conclusion

In summary, the IOUs have been and remain committed to increasing demand side conservation and increasing energy efficiency in Florida. The FPSC's recommendation to the Florida Legislature and Governor Crist should be that decoupling is not needed and should not be implemented at this time for the electric industry. The Florida process for setting aggressive energy efficiency and conservation goals has worked very well and has brought many benefits to Florida's electric consumers. Recent amendments to FEECA will further enhance the process by authorizing the Commission to require modifications or additions to utility plans and programs and providing financial rewards and penalties for exceeding or failing to meet goals. There is no evidence that decoupling will result in greater energy efficiency goals or results. Decoupling would add administrative complexity to Florida's regulatory oversight and likely create confusion and potential dissatisfaction on the part of Florida consumers, which could ultimately increase costs to those consumers. If decoupling is to be considered in any context, it should only be when a specific decoupling proposal is brought forward by a specific company.

⁶ The eight ACEEE policy categories were: Spending on Utility and Public Benefits Energy Efficiency Programs; Energy Efficiency Resource Standards (EERS); Combined Heat and Power (CHP); Building Energy Codes; Transportation Policies; Appliance and Equipment Efficiency Standards; Tax Incentives; and State Lead by Example and Research & Development. See <http://www.aceee.org/pubs/e075.htm>.

The IOUs appreciate the opportunity to provide these comments and look forward to continuing to work with the FPSC, as the Commission prepares its report and recommendations to the Legislature and Governor.

Respectfully submitted,

s/Susan F. Clark

Susan F. Clark