

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

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COMMISSION REVIEW OF NUMERIC DOCKET NO. 080407-EG
CONSERVATION GOALS (FLORIDA
POWER & LIGHT COMPANY).

COMMISSION REVIEW OF NUMERIC DOCKET NO. 080408-EG
CONSERVATION GOALS (PROGRESS
ENERGY FLORIDA, INC.)

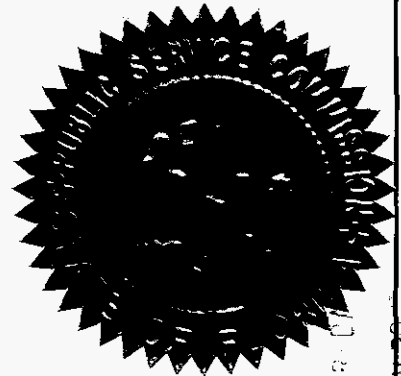
COMMISSION REVIEW OF NUMERIC DOCKET NO. 080409-EG
CONSERVATION GOALS (TAMPA
ELECTRIC COMPANY).

COMMISSION REVIEW OF NUMERIC DOCKET NO. 080410-EG
CONSERVATION GOALS (GULF
POWER COMPANY).

COMMISSION REVIEW OF NUMERIC DOCKET NO. 080411-EG
CONSERVATION GOALS (FLORIDA
PUBLIC UTILITIES COMPANY).

COMMISSION REVIEW OF NUMERIC DOCKET NO. 080412-EG
CONSERVATION GOALS (ORLANDO
UTILITIES COMMISSION).

COMMISSION REVIEW OF NUMERIC DOCKET NO. 080413-EG
CONSERVATION GOALS (JEA).



PROCEEDINGS: AGENDA CONFERENCE
ITEM NO. 9

COMMISSIONERS
PARTICIPATING: CHAIRMAN MATTHEW M. CARTER, II
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER NANCY ARGENZIANO
COMMISSIONER NATHAN A. SKOP
COMMISSIONER DAVID E. KLEMENT

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P R O C E E D I N G S

CHAIRMAN CARTER: With that, Commissioners and staff, we will now move to Item 9. Does anyone need a break before we --

COMMISSIONER SKOP: Yes.

CHAIRMAN CARTER: Let's take a five-minute break, Commissioners, and then we will go to Item 9.

(Off the record.)

CHAIRMAN CARTER: We are back on the record, Commissioners and staff. And when we last left we had directed that we would go now to Item 9.

Staff, you're recognized.

MR. BALLINGER: Good morning, Commissioners. My name is Tom Ballinger with staff.

Item 9 is staff's recommendation in the DSM goals dockets. But, first, I would like to give you some quick background information.

Pursuant to the statutes, the Commission must review conservation goals from each utility at least every five years. The DSM goals were last established for the FEECA utilities in 2004, starting in 2005 obviously, to become effective. So we're due again to establish them by 2010, by January 2010.

Section 366.81 lays out what these goals

1 are meant to do, and the goals are designed to
2 increase the conservation of expensive resources
3 such as petroleum fuels, control the growth rate of
4 electric consumption and peak demand, that's of
5 particular importance, and to encourage the
6 development of demand-side renewable resources such
7 as solar water heaters and small solar PV systems.

8 This process started back, actually, in
9 November of 2007. And from November 2007 through
10 December 2008 the Commission conducted about five
11 workshops talking about ways to improve energy
12 efficiency initiatives and improve our process. In
13 2008, the Legislature amended the FEECA statutes,
14 which modified directions to the Commission and the
15 FEECA utilities. These dockets were opened in June
16 of 2008, and the Commission held a four-day
17 evidentiary hearing in August of 2009.

18 I'll now give you a brief synopsis of
19 staff's overall recommendation. I believe the staff
20 has crafted a recommendation that is well balanced.
21 It balances the need to further encourage energy
22 efficiency as well as minimizing the rate impacts on
23 all customers. The FEECA utilities have proposed
24 goals that would result in a reduction of future
25 energy efficiency savings. The intervenors propose

1 goals that would significantly increase the amount
2 of projected energy efficiency savings due primarily
3 by including measures known as free riders, and we
4 will get to that a little later.

5 Furthermore, the goals proposed by the
6 intervenors would result in substantial immediate
7 increases in rates with incentives through the ECCR
8 clause as well as additional potential for
9 additional base rate increases in the future due to
10 lost sales. Based on the evidence in this
11 proceeding, the staff is recommending that the
12 Commission reject the goals proposed by both the
13 utilities and the intervenors, and instead continue
14 on with the current programs that have been used in
15 prior need determination proceedings and other
16 proceedings before the Commission.

17 We believe this recommendation, keeping it
18 at the same level, has many benefits. Such as it
19 would continue the momentum of successful programs
20 that are already out there and being used today.
21 The values are consistent with prior estimates used
22 in nuclear need determinations and prior natural gas
23 need determination proceedings. Staff's
24 recommendation, we believe, would achieve the
25 overarching concern of minimizing rates to all

1 customers. And, finally, continuing the current
2 programs that utilities are currently doing provides
3 a rational means to set goals above zero that was
4 goals proposed by JEA, OUC, and FPUC.

5 Several days ago I brought each of your
6 offices some colored charts like these. You should
7 see the bar charts, and if you don't have them, I
8 have a few extra copies here, as well. And what
9 this was intending to do was put graphically kind of
10 your range of options that you have in this
11 proceeding based on the evidence today. If you
12 start at the left end of each of the utilities you
13 will see values --

14 **CHAIRMAN CARTER:** Tom, hang on one second.
15 I was going to ask staff if they had an extra one
16 that I could look on with you. I think I left mine
17 upstairs. Does anyone else need one, Commissioners?

18 Okay. Thank you. You may proceed.

19 **MR. BALLINGER:** Has everybody got it?

20 **CHAIRMAN CARTER:** Thank you.

21 **MR. BALLINGER:** Sure. If you start at the
22 left of these charts for each utility -- and, first,
23 let me explain. There's three categories at the
24 bottom. There's summer demand, winter demand, and
25 annual energy in gigawatt hours. Those are the

1 three components that we are charged with the
2 statute to set goals for. The first two are the
3 peak demand reductions, as I mentioned earlier. The
4 third one is the annual energy consumption, which is
5 the kind of the two-pronged test we have to look at.

6 Our rules require residential and
7 commercial values for each of these. I have
8 combined everything into one for ease of
9 explanation. If you start at the left you will see
10 the blue column where it says RIM. That was staff's
11 attempt to calculate what the goals would be if you
12 used a traditional RIM approach to setting goals.
13 And you heard in the hearing utilities have coined a
14 new test called the E-RIM, or the E-TRC, and what
15 that meant is they included an estimated cost of
16 carbon to the two traditional tests.

17 Staff was trying to get a handle on what
18 would it be if we did not include carbon in our
19 analysis. So those first two columns give you a
20 clean RIM -- I shouldn't say clean -- let me just a
21 plain RIM and a plain TRC test. As you move to the
22 right, then you will see the utility's goals, which
23 are all proposed on using an E-RIM test where they
24 included an estimate price for carbon. And you can
25 see, for example, for FPL the summer demand number

1 slightly increased. It went from a RIM value of 547
2 to an E-RIM value of 607, so it does increase the
3 amount of conservation programs that would be
4 cost-effective. The same for the TRC. It's is the
5 same basic test, you have added a cost of carbon.

6 Then your next column would be staff's
7 recommendation for each utility as you go through.
8 And I would recommend to you that as you move
9 through these things, every reason up to -- or every
10 column up to that standpoint would be cost-effective
11 from a system basis. The difference comes into how
12 much subsidization we have between nonparticipating
13 customers and participating customers, and that's
14 the difference between the RIM and TRC tests. The
15 further you move towards a TRC type of goal, you're
16 asking customers who do not participate in
17 conservation programs or cannot participate in
18 conservation programs to subsidize those who are.
19 Yes, it does benefit the overall system, but you
20 have this tension between rates and discrimination.

21 I would point out to you as you go through
22 these you will notice that some of staff's goals are
23 higher than the utilities, some are lower. So we
24 did not pick our numbers just to be higher than the
25 utilities overall. We did it based on the evidence

1 we didn't feel was supported on either party. We
2 didn't believe the utilities' numbers for their
3 inconsistent use of carbon, and we didn't believe
4 the intervenors' numbers for their inclusion of free
5 riders. So staff's recommendation picked numbers
6 that had been approved by the Commission and in use
7 today.

8 Our goals on an individual basis are
9 higher than the goals proposed by FPL, FPU, OUC, and
10 JEA, but they are lower than the goals proposed by
11 PEF, TECO, and Gulf. However, on an aggregate basis
12 our energy goals are about 40 percent higher than
13 the aggregate goals proposed by the FEECA utilities.

14 Staff also found that the majority of
15 measures that passed the TRC test or even the E-TRC
16 test, but failed the RIM test were mainly for
17 commercial/industrial programs. So what that means
18 is if you were to move to that type of an E-TRC type
19 of goal-setting, you would be asking residential
20 customers to subsidize programs for
21 commercial/industrial customers. We also found that
22 measures that passed the TRC test but failed the RIM
23 on the residential side were mainly for multi-family
24 programs. And those may be measures that may not be
25 able to be implemented. For example, a lot of

1 renters, while they may have savings in their
2 buildings due to air conditioners and pool pumps at
3 the facility, they are not the deciding factor of
4 making those capital improvements, it's the
5 landlord.

6 In addition to our numeric goals, which
7 are shown in Issues 9 and 10 of staff's
8 recommendation, staff has recommended that the IOUs
9 expand their education programs to include measures
10 which customers should be willing to implement on
11 their own. That is really the significant
12 difference between staff's recommendation and goals
13 proposed by the intervenors.

14 If you recall, GDS, our independent
15 consultant, was retained and he identified -- or the
16 firm identified numerous measures that would result
17 in significant energy savings mainly from the
18 inclusion of free riders. A free rider is someone
19 who would adopt a measure even without an incentive.
20 The inclusion of such measures in a utility's
21 numeric goals would result in a substantial
22 cross-subsidization by nonparticipating customers
23 and increase rates imposed on all customers. Staff
24 believes that education programs can achieve the
25 same level of savings with minimal

1 cross-subsidization by nonparticipants, and that is
2 why we are recommending increasing and enhancing the
3 education programs of the utilities.

4 Recent amendments to FEECA that I
5 mentioned back in 2008 focused on demand-side
6 renewable energy systems, such as solar water
7 heaters and small PV systems. However, the evidence
8 in the record in these cases shows that such
9 measures are not cost-effective by either the
10 Participant Test, the RIM test, or the TRC test.

11 Despite these results, staff is also
12 recommending in Issue 11 that IOUs be authorized to
13 provide up to \$12.2 million of funding of incentives
14 for customer-owned solar water heaters and PV
15 systems. Such incentives would almost double the
16 current rebates available from the Governor's Energy
17 Office and have minimal impact, less than ten cents
18 a month, on a typical customer's bill. We are
19 acknowledging that it is above the cost of service.
20 It is a subsidization, but it is minimal, and staff
21 is also recommending that it be a pilot program, and
22 that it can be stopped at any time if we see that
23 the costs are getting too excessive. But we did
24 feel it was a way to reflect the Legislature's focus
25 on these types of systems and also minimize rates to

1 all customers.

2 Your real charge today is to establish
3 numeric goals, which is Issues 9 and 10. The other
4 issues are supporting issues or complimentary
5 issues, if you will. I would recommend to you that
6 if it's your pleasure that we engage in kind of a
7 general dialogue of the overall goals and
8 philosophies, stuff like that, before we move on to
9 individual issue summations. An.

10 D with that, staff is ready for your
11 questions.

12 **CHAIRMAN CARTER:** Thank you.

13 Commissioner Skop.

14 **COMMISSIONER SKOP:** Thank you, Mr.

15 Chairman.

16 In terms of the philosophies, I'll get to
17 that in a second. I think we sat through lengthy
18 hearings, heard testimony at length from not only
19 the intervenors, but also from the company, but I
20 want to get to the nuts and bolts of what the staff
21 recommendation is, which seems to more parallel what
22 the utilities want as opposed to some of the other
23 suggestions that other parties may have made.

24 If I could ask staff to turn to the charts
25 on Issue 9, which are Pages 57 through 60 of the

1 staff recommendation. And on those respective
2 charts there seemed to be instances, or quite a few
3 instances of the staff's goals for energy and demand
4 which are actually lower than the utilities' goals.
5 And I know that staff had mentioned that or conceded
6 that point in their opening comments, but it would
7 seem to me since the utility would not propose any
8 goals based on programs that are lower than avoided
9 costs, there should be no reason why this Commission
10 should adopt goals lower than those proposed by the
11 utilities themselves, especially in light of the
12 recent direction that the Legislature provided in
13 Sections 366.82, 366.91, and 366.92 of the Florida
14 Statutes which speak to conservation, efficiency of
15 energy consumption, and the need to promote
16 renewables. At least from my perspective -- and I
17 would like to get staff's comment on this, it
18 appears that adopting the higher of staff's or the
19 utility goals would increase the goals by a
20 substantial margin for some utilities.

21 **MR. BALLINGER:** Okay. So your question is
22 compare the two numbers, the utility versus the
23 staff, to pick the higher goal to further increase
24 conservation?

25 **COMMISSIONER SKOP:** Well, in some

1 instances staff took a lower goal than those
2 proposed by the utility, which seems
3 counterproductive to advancing energy efficiency and
4 conservation measures.

5 **MR. BALLINGER:** Correct. And staff's
6 recommendation was not picking a number that would
7 always further encourage it. We looked at the
8 evidence in the record. And let me back up and
9 explain a little bit. Our recommendation is really
10 almost a default recommendation. The evidence
11 provided, we thought, by the utilities did not
12 support using the E-RIM test with the inconsistent
13 use of the carbon and the varying numbers in there.
14 So I'm basically saying the preponderance of the
15 evidence -- I couldn't rely on their numbers. As
16 well I couldn't rely on the intervenors.

17 The numbers selected by staff were not
18 because of a particular test. It was a fallback, if
19 you will. The reason why they come out some lower
20 and some higher is you really are done on two
21 different time frames as far as avoided costs. The
22 ones from the Ten-Year Site Plan were done
23 continuing the existing goals and existing programs.
24 You continue on those savings, and then you look at
25 when do I need a power plant. That is how those

1 are.

2 In the DSM goals proceeding, the way it
3 started is you start at ground zero. You freeze
4 conservation at the existing levels as it is today.
5 You don't allow any new participants in any of your
6 existing programs because you are testing not only
7 the existing programs for cost-effectiveness, but
8 your future incremental ones.

9 Since the utilities have a lot of
10 generation units certified, you find your avoided
11 cost drops way off. They don't need as much
12 resources to meet their needs. That's why a lot of
13 their numbers on some of them would be lower.

14 **COMMISSIONER SKOP:** Okay. I had the same
15 concern -- in the interest of time, because I know
16 my colleagues will probably have a lot of
17 questions -- the same concerns as to Issue 10, the
18 chart in Issue 10, which is on Pages 64 through 67.
19 Again, many instances of where the staff goals for
20 energy and demand are lower than those requested by
21 the utility. Again, I'm having some trouble trying
22 to rationalize why they would not pick the higher of
23 the two numbers, even the numbers that the utility
24 proposed.

25 Let me move on to another issue. You

1 mentioned in the response to that part of the
2 analysis is when do I need a new power plant. And I
3 know a lot of the discussion focused on what the
4 appropriate test methodology to be used, whether it
5 be departing from the RIM test, or the E-RIM, or
6 adopting the TRC test, which many of the intervenors
7 have requested that the Commission take a hard look
8 at trying to change the status quo and look at
9 things that would do more to promote energy
10 conservation and efficiency.

11 I guess from the traditional perspective
12 it seems that the use of the RIM -- and I'd like to
13 get staff's feedback on this. This is the first
14 opportunity we have had to really kind of debate the
15 issue from staff to the Commission, notwithstanding
16 the hearing process. But from my perspective it
17 seems as if the sole use of the RIM test will
18 actually expose consumers to rate increases later
19 and miss opportunities now to achieve cost-effective
20 savings that would be substantially less than that
21 future cost of new generation. And has staff
22 embodied that? I mean, it seems to me that that is
23 one of the best arguments from -- you know, from
24 looking beyond the RIM test is that under the
25 avoided cost argument, energy efficiency costs today

1 are cheaper than building new generation later.

2 **MR. BALLINGER:** For some. I think what we
3 found and why this whole process was useful is the
4 Legislature required the Commission to look at the
5 full technical potential that is out there in the
6 world. And technical potential is what could you do
7 absent any cost constraints? So what is physically
8 achievable out there? And there were significant
9 savings that were identified.

10 Then as you start applying economics and
11 rational behavior to it, we found that a majority of
12 those savings could be done from measures that have
13 a very quick payback that consumers should be doing
14 on their own. So the process was very good on
15 identifying these huge amount of savings that are
16 there, but the bulk of them are measures that could
17 be done by a person's own responsibility.

18 Installing their own light bulbs, getting their AC
19 systems checked, things of this nature that are very
20 simple, have a very quick payback for them, and will
21 benefit them. It will also benefit the rest of the
22 system.

23 But staff's recommendation is premised on
24 trying to capture those benefits through education
25 programs rather than setting numeric goals which

1 then you're faced with the decision in two or three
2 years to reward or penalize a utility for exceeding
3 or not meeting the goals. And that's where we are
4 trying to make sure we set something that is
5 attainable and that is reasonable, because we also
6 have to monitor this, and we are going to be faced
7 with decisions in a few years to reward or penalize
8 utilities.

9 **COMMISSIONER SKOP:** Okay. One quick
10 intervening question, and then I'll touch upon
11 something you just mentioned. With respect to
12 setting goals, why not set stretch goals? Or what
13 is the parallel of setting stretch goals as opposed
14 to, you know, even adopting numbers that are less
15 than -- that staff has adopted that are less than
16 what the utilities have proposed in some instance,
17 and what is the penalty for not meeting goals?

18 **MR. BALLINGER:** I think that's the dilemma
19 you are in. Before FEECA was modified this past
20 year, if a utility did not meet its goals, then the
21 Commission had the authority to mandate a specific
22 program to the utility. To say, okay, go out and
23 give away light bulbs, or go out and do a load
24 management program, you didn't meet your goals.

25 In my history here that has not happened

1 because, quite frankly, DSM is a voluntary program.
2 You can put incentives out there. It's very hard
3 sometimes to get everybody to do. You may think you
4 have the right numbers of participants you'll get,
5 but it's not -- something is going to happen.
6 There's also other market things; you have
7 manufacturing problems, things of this nature.

8 Now the FEECA statute has changed, though,
9 to where the Commission is authorized to do a
10 financial reward or penalty. That is a more serious
11 nature in my opinion. If you are going to ask
12 somebody to write a check for not meeting a goal,
13 you have to make that goal reasonable and you have
14 to be able to monitor it with some specificity. So
15 I think setting a stretch goal makes it difficult
16 for you down the road if they are not meeting it.

17 **COMMISSIONER SKOP:** But as the staff
18 recommendation would have it, given the ability now
19 for the Commission to establish rewards for
20 compliance, if you set the goals so low then, of
21 course, they are going to get the reward in some
22 instances. Again, where staff is setting goals
23 lower than those proposed by the utility themselves.

24 **MR. BALLINGER:** That is possible. But,
25 remember, there's three categories you are looking

1 at, too. There's demand, there's winter/summer
2 demand and energy.

3 **COMMISSIONER SKOP:** Okay. Well, let's
4 talk about that a little bit because you mentioned
5 technical potential, and if I could ask you to turn
6 to Page 18 of the staff recommendation, the chart on
7 Page 18.

8 **MR. BALLINGER:** Correct.

9 **COMMISSIONER SKOP:** Okay. Now, in that
10 chart on Page 18, staff used the 2007 baseline data
11 to calculate the 2019 achievable potential. And
12 these data sets, I believe they were used to
13 calculate percentages shown in the table, is that
14 correct?

15 **MR. BALLINGER:** Yes. On Page 18 is the
16 achievable potential. If I could, if I could turn
17 you to Page 10 of the recommendation, that's the
18 technical potential. We tried to put these two
19 charts in there to give you an order of magnitude of
20 what's going on. And I'll stick to one number. I
21 am at Page 10, the residential sector, I'm looking
22 at just annual energy, but the way this goes, this
23 is telling me or what we found in the hearing is
24 that of the technical potential is 36,584 gigawatt
25 hours of potential savings. Compare that to the

1 baseline total sales of 94,745 gigawatt hours. You
2 could save 38.6 percent of the energy if you did
3 everything that's technically potential.

4 Now, when you go to the achievable
5 potential, which does two things, it takes out the
6 free riders and it takes out some cost-effectiveness
7 measures based on the RIM and TRC tests. That
8 number shrinks down to 1 percent. And the bulk of
9 that is the free-ridership, and that is shown on
10 Page -- I believe it is later on in Issue 2. Page
11 15 of the recommendation. And there you can see of
12 the maximum achievable, if you added back in the
13 free riders, you are adding in sometimes 60 to
14 80 percent.

15 So your difference from technical
16 potential to achievable, 80 percent of that
17 shrinkage is due to this free rider issue. That's
18 the main policy thing. I want you to all understand
19 that's the big focus of the difference there.

20 **COMMISSIONER SKOP:** Okay. On the chart on
21 Page 18 in terms of achievable potential, how does
22 that chart or the presentation of that data not
23 cause the reader -- or not mislead the reader or
24 cause the reader to draw inaccurate conclusions to
25 the extent that the achievable potential for energy

1 is really not 1.6 percent, it's just under the
2 constraints that staff would impose getting rid of
3 the free ridership and looking to other things that
4 is only thing that could be accomplished.

5 **MR. BALLINGER:** I understand. To the
6 layperson you don't understand the intricacies of
7 what's going on, and that's why it is difficult to
8 explain this, that the bulk of the savings is the
9 free riders that got screened out.

10 **COMMISSIONER SKOP:** Okay. If I could now
11 just ask you -- and I am almost done, Mr. Chair --
12 on Page 4 of the staff recommendation there is a
13 chart there, and on that chart at the bottom of the
14 page showing aggregate goals, I'm wondering how that
15 chart in itself may not be misleading to the extent
16 that -- would a better way to present that data show
17 the four IOU goals versus staff goals which are
18 exclusive to the munis, which had zero goals, and it
19 would seem to me that perhaps the incremental
20 difference between the IOU goals and the staff
21 recommendation for the IOU goals is much smaller and
22 provides an accurate comparison to the point to see
23 whether the goals by staff are higher or lower than
24 the utilities.

25 **MR. BALLINGER:** I understand, and we are

1 charged with setting goals for the seven FEECA
2 utilities, and that's why I provided the colored
3 charts to show you each individual utility with
4 staff's comparison. I thought it would be a bit
5 complicating to have it in the recommendation. This
6 thing was already about 80 pages. We tried to just
7 put it altogether as one overall thing. And, yes, a
8 lot of this comes from the FPUC, OUC, and JEA
9 proposing zero goals, and staff recommending that
10 they just continue their programs that they said
11 they were going to do anyway and actually putting a
12 number to what they are doing. That's a big chunk
13 of it.

14 **COMMISSIONER SKOP:** Okay. But by adopting
15 goals lower than those proposed by the utilities, I
16 mean, how does staff advance the legislative intent
17 that we have been asked to do in terms of energy
18 conservation and efficiency?

19 **MR. BALLINGER:** I think we do in that as
20 you see in aggregate, they are greater for the
21 utilities.

22 **COMMISSIONER SKOP:** Not initially, though.
23 I mean, there are instances where on those charts it
24 starts out lower and then ultimately it gets there.

25 **MR. BALLINGER:** And for some individual

1 utilities they would be overall lower even over the
2 ten years. It does promote energy efficiency in
3 that it's continuing their existing programs. You
4 have these programs that have been brought before
5 the Commission as a means to mitigate the need
6 before building a nuclear power plant.

7 Again, our numbers were not to pick a
8 number to set aggressive goals. This is not an
9 open-ended just pick a number. It has to be based
10 on evidence in the record, and we are looking at
11 what the utilities proposed. We weren't convinced
12 by their numbers nor were we convinced by the
13 intervenors. So, again, this is something that we
14 reset again in five years. We are also free to
15 change it at any time. Utilities are free to
16 propose changes, too, to their goals.

17 **COMMISSIONER SKOP:** Okay. Let me turn to
18 my last question which, again, is about the only
19 bright spot that I see in the staff recommendation,
20 and that's on Issue 11 and Page 73. And there is a
21 table there, and basically Issue 11 is in addition
22 to the megawatt hour -- I mean, megawatt and
23 gigawatt hour goals established in Issues 9 and 10,
24 should the Commission establish separate goals for
25 demand-side renewable energy systems. And Table 1-1

1 on Page 73 speaks to the staff recommendation, which
2 is, I believe, setting a 5 percent target over the
3 four year previous revenue, or five year average of
4 the IOUs' energy conservation and cost-recovery
5 expenses.

6 I guess adopting the staff recommendation
7 on this point, at least from my perspective,
8 facilitates solar PV and solar thermal within the
9 state. It's very analogous to using the 5 percent,
10 or the 2 percent RPS cap and allocating that for
11 solar rebates that was in the alternate RPS
12 recommendation that the Commission sent over to the
13 Legislature. At 5 percent, as staff has
14 recommended, at least providing rebates commensurate
15 with those currently offered by the state, that
16 number could support the annual deployment of
17 approximately 3 megawatts distributed solar PV
18 generation. Adopting Witness Spellman's
19 recommendation of 10 percent, again, seems to have
20 nominal rate impact, some as little as 4 cents, but
21 would facilitate approximately 6 megawatts of solar
22 PV distributed generation throughout the state on an
23 annual basis.

24 So, again, to me, you know, moving in the
25 right direction, although this recognizes it is

1 slightly above avoided cost, you know, staff to me
2 is at least being somewhat innovative here in terms
3 of trying to facilitate the adoption of more
4 renewables, solar PV based, solar thermal within the
5 state, distributed generation, which I think is a
6 positive. I'm not really convinced as to Issues 9
7 and 10, whether those goals are robust.

8 And I think at this point, Mr. Chair, I am
9 going to turn it over back to you and hear the views
10 of my colleagues, but part of me would favor
11 deferring this item and sending staff back to the
12 drawing board to adopt more robust goals consistent
13 with some of the legislative direction that this
14 Commission has received.

15 I know that cost is an important
16 consideration, and by no means do I support adopting
17 the intervenors recommended goals wholeheartedly,
18 but instances where staff has adopted goals less
19 than the utilities propose themselves gives me great
20 concerns, and I think it's the subject of quite a
21 little bit of controversy as it pertains to this
22 recommendation. So, I'll turn over to you.

23 Thank you, Mr. Chair.

24 **CHAIRMAN CARTER:** Thank you.

25 Commissioner Argenziano, you're

1 recognized.

2 **COMMISSIONER ARGENZIANO:** Thank you, Mr.
3 Chair.

4 I'm going to go through several things
5 that give me some heartburn and some things I have
6 questions on and see if I can get some answers to.
7 And I think can Commissioner Skop hit some of them
8 on the chart, so I won't go back to that, and as I
9 have them written down I'll go through several
10 items.

11 On Issue 1, it indicated on Page 7 --
12 well, the question, of course, was did the company
13 provide an adequate assessment of the full technical
14 potential of all available demand-side and
15 supply-side conservation and efficiency measures,
16 including demand-side renewable energy systems
17 pursuant to the statute. And it seems that on Page
18 7 it indicates that a supply-side technical
19 potential was not calculated. And then on Page 17,
20 and I quote, "It did not develop supply-side
21 conservation or efficiency measures to the same
22 degree they did demand-side measures." And on Page
23 17, again, quote, Supply-side efficiencies and
24 conservation -- it goes further to say would result
25 either in less fuel being required or less -- or

1 less loss along the transmission and distribution
2 network.

3 And I guess we talk about how the public
4 can conserve and change its habits, and I'm
5 wondering if we were to look at Section 366.82(3),
6 it basically states that we shall evaluate the full
7 technical potential of all available demand-side and
8 supply-side conservation and efficiency measures,
9 including demand-side renewable energy systems. And
10 why wouldn't we want to consider all options before
11 setting goals?

12 **MR. BALLINGER:** If I can address it. This
13 was a little awkward when the statute was revised.
14 Traditionally, this has been the FEECA looking at
15 demand-side calling it reducing the load portion of
16 it. If you go to supply-side conservation measures,
17 that has a chilling effect on conservation. In
18 other words, if I make my generation and
19 transmission system very efficient, I don't need
20 conservation. So they are counter -- they work
21 against each other, if you will, in two separate
22 scenarios. So it is a little awkward to consider
23 them together in this one setting supply-side goals.
24 So even we had more measures of supply-side
25 efficiency and the utilities would do them, all

1 that, in my mind, would do is reduce your DSM goals.

2 Staff has also noted that supply-side
3 efficiency is taken up in other measures. We look
4 at it in need determination cases, we look at it in
5 the ten year site plan to see which units are
6 getting old and aged. Could they be candidates for
7 retrofits. And you have had a couple of need
8 determinations come through here that do exactly
9 that, of repowerings to make the units more
10 efficient.

11 When you look at transmission lines, is
12 there a shorter route you can do that minimizes
13 losses. Can you look at improved transformers and
14 things of this nature. So the supply-side is done,
15 it's done in other forums. In my view and I think
16 in staff's view it is really not appropriate to look
17 at here. Let's focus on DSM, let's focus on energy
18 efficiency and set those goals.

19 **COMMISSIONER ARGENZIANO:** That's what I'm
20 having a hard time with, because I understand that
21 you say it is not appropriate and the goals says do
22 it separate. I don't understand how it is not
23 then -- how is it in harmony with the statute that
24 says that you shall evaluate the full technical
25 potential of all available demand-side and

1 supply-side conservation and efficiency measures,
2 including -- and it goes on and on.

3 **MR. BALLINGER:** I understand. And we
4 noted it, and I'm dealing with the hand I'm dealt
5 with, the cards I'm getting and the evidence here.
6 Utilities do not produce a supply-side technical
7 potential.

8 **COMMISSIONER ARGENZIANO:** Okay. So we
9 don't have that and the statute says we should have
10 that. Let me move on. You have answered my
11 question. I'm not trying to cut you off. I
12 appreciate that, I just don't want to waste time.
13 You have answered the question and I got it.

14 The -- hang on one second. I don't want
15 to ask the same question over again. One other
16 issue on the technical issues were not included in
17 the study. Fifty percent of the total consumption
18 of electricity is residential, is that correct,
19 pretty much, or close?

20 **MR. BALLINGER:** Approximately, yes.

21 **COMMISSIONER ARGENZIANO:** Yet small
22 changes that could have large gains for residents
23 were not included. You know, certain things that I
24 look at as far as measures that were not included.
25 You know what, hang onto that a second. Hang on.

1 Let me go back to that because I have another page
2 that I'm missing on that. Hold on.

3 We will go to Issue 2, if we could. Did
4 the company provide an adequate asset of the
5 achievable potential of all available demand-side
6 and supply-side conservation efficiency measures
7 including -- on the two-year payback period, that
8 was an order, it is not a statutory mandate, right?

9 **MR. BALLINGER:** It has been used before by
10 utilities in setting goals and recognized by the
11 Commission when setting goals as a way to address
12 free riders, which is specific in our rules that
13 says we must try to account for the impact of free
14 riders in setting goals.

15 **COMMISSIONER ARGENZIANO:** But it's not a
16 statutory mandate, is it?

17 **MR. BALLINGER:** Correct.

18 **COMMISSIONER ARGENZIANO:** Okay. Isn't it
19 somewhat in tension with the legislative intent in
20 Section 366.81, which says, quote, the Legislature
21 finds and declares that it is critical to utilize
22 the most efficient and cost-effective demand-side
23 renewable energy systems and conservation systems in
24 order to protect the health, prosperity, and general
25 welfare of the state and its citizens. If it

1 eliminates most of the efficiencies and
2 cost-effective measures available, how does that --
3 explain to me -- give me some --

4 **MR. BALLINGER:** It's a matter of how you
5 address it. It's not that we don't recognize it as
6 there, and I think this whole process gave you the
7 information to identify these measures that are out
8 there and make people aware and make the utilities
9 and the Commission aware of what measures really are
10 the most cost-effective ones out there. The
11 difference in opinion comes in do I pay an incentive
12 to get people to do that, or do I educate them to do
13 it on themselves. And staff is recommending that
14 the better way, the most cost-effective way to
15 capture those savings is through education programs.

16 **COMMISSIONER ARGENZIANO:** Well, don't you
17 think that most people who would have done that
18 already have?

19 **MR. BALLINGER:** Obviously not, and that is
20 troubling. The bulk of the measures were compact
21 fluorescent light bulbs. And, yes, we are being
22 inundated with ads about them and it's starting to
23 catch on; I think you are starting to see that in
24 society. But the key on this is while there may be
25 efficiency gains out there, utilities and the

1 Commission's policy in the past has been utilities
2 should provide incentives for measures that go
3 beyond the norm.

4 In other words, you have building codes
5 and appliance efficiency standards. You can't buy a
6 heat pump now that has a SEER of less than 13. So
7 utility programs only provide a rebate if you go to
8 a 15 or a 17, a more efficient unit. You wouldn't
9 want to pay a rebate to just meet the building code.
10 It's kind of a silly thing; you are kind of doubling
11 up on these. And I think staff is seeing these
12 quick payback measures as a way to do that.

13 A better way to try to capture those
14 savings is to educate people and have people have
15 the personal responsibility to go ahead and take
16 charge of this, and that's just the approach we have
17 taken on it.

18 **COMMISSIONER ARGENZIANO:** Right. And I
19 understand. I believe in personal responsibility,
20 except that you understand that a lot of people
21 don't have that same maybe --

22 **MR. BALLINGER:** The means to do it.

23 **COMMISSIONER ARGENZIANO:** The means is
24 one, and that's why rebates and incentives help
25 those people who may not be as motivated.

1 **MR. BALLINGER:** But the problem with --
2 the other problem we saw is that the measures are a
3 lot in the industrial and commercial sector. So if
4 the utilities are giving out light bulbs to the
5 industrial/commercial sector, the residential
6 customer who is out of a job struggling is paying
7 for those incentives and is subsidizing that, and we
8 don't think that is correct, either. And that is
9 why we are thinking education of these people to let
10 those customers know, hey, you can install these
11 light bulbs and save your bill and it benefits you
12 and it will pay you back in less than two years.
13 You need to be doing this.

14 **COMMISSIONER ARGENZIANO:** And for those
15 people what can't afford that, what do we have
16 currently -- what are our utilities doing currently
17 to help in that area as far as people who cannot
18 afford --

19 **MR. BALLINGER:** There's a lot of programs.
20 Utilities have voluntary programs where other
21 customers can add a dollar or five dollars to their
22 bill and it goes into a pot of money basically to
23 help pay for bills for people who can't pay their
24 bill.

25 **COMMISSIONER ARGENZIANO:** Are there any

1 rebates currently, rebates that the utilities give
2 now to incentivize, either CFLs or LEDs?

3 **MR. BALLINGER:** I don't know about CFLs,
4 but there is basically programs out there for attic
5 insulation, adding that, window pane changing out --

6 **COMMISSIONER ARGENZIANO:** Programs. Are
7 you talking about learning programs --

8 **MR. BALLINGER:** No, rebates. Rebates.

9 **COMMISSIONER ARGENZIANO:** The rebates.

10 **MR. BALLINGER:** Rebates for attic
11 insulation, rebates for energy efficient air
12 conditioners, rebates for getting your ducts
13 repaired in your attic. We found that to be a big
14 problem. Window film. Changing out windows. There
15 might be even incentives for shade trees, reflective
16 roof coating, attic barriers. All these carry
17 incentives that go with them, both in the new
18 construction and in the retrofits. Water heater
19 efficiency improvements, things of this nature. So
20 there's a variety of incentives and rebates out
21 there.

22 The first key to it is the audit that the
23 utility gets by the request of a customer, that a
24 customer can either do their own audit on-line.
25 They can sit at their computer, enter in data about

1 their house, and it will come back with
2 recommendations and suggestions. They can schedule
3 an appointment with a utility auditor to come in.
4 They will go through the house measure insulation
5 and make suggestions, and say here is a list of our
6 programs and rebates. Give us a call, or line up,
7 here is a contractor that will do it, and it gets
8 done like that. So, yes, there is a lot of
9 rebates/incentives. Utilities are spending about
10 \$250 million a year on primarily rebates and
11 incentives.

12 **COMMISSIONER ARGENZIANO:** I noticed --
13 because I have been using CFLs for a long time now,
14 and at first they were very expensive and I bought a
15 few at a time and then waited, and finally got my
16 whole house taken care of. Now I'm moving towards
17 LEDs. And it was at first hard to find LEDs that
18 fit in the current sockets that you had and in
19 different shapes and bulb sizes. And they are out
20 there now, and I know that they are still more
21 expensive for some people to be able to afford, and
22 I wonder if any of our utilities have moved towards
23 that type of incentive or rebate. I know some other
24 states have that type of rebate in place, especially
25 for light bulbs and the most cost-efficient light

1 bulbs.

2 **MR. BALLINGER:** I don't believe for LED.
3 There might have been a program or two for like LED
4 traffic signals, looking at replacing them.

5 **COMMISSIONER ARGENZIANO:** I mean, LEDs are
6 so -- they are so cost efficient and so beneficial
7 to use.

8 **MR. BALLINGER:** The problem right now is
9 we are at the goal-setting phase, we are not looking
10 at individual programs. Once you establish numbers
11 of kilowatts and kilowatt hours that they have to
12 save, utilities come back with programs to meet
13 those goals and you sum up all the parts. So we
14 might see an LED program. Right now I don't believe
15 we have any.

16 **COMMISSIONER ARGENZIANO:** Well, that's
17 what I'm saying. And I think that we are kind of
18 behind the curve on some things, and I know it has
19 been awhile and the LEDs are just surfacing for more
20 home use, and to me if the goal is really to reduce
21 consumption --

22 **MR. BALLINGER:** Well, it's to reduce the
23 growth of consumption and the growth of peak demand.
24 And I would also suggest to you that a lighting load
25 in a residential house is the small component.

1 **COMMISSIONER ARGENZIANO:** But when you put
2 them altogether you can save a lot. Well, yes, if
3 you look at the amount of savings. I could show you
4 my bills. I've saved a lot just by changing
5 lighting.

6 **MR. BALLINGER:** Your bigger ones are your
7 air conditioner.

8 **COMMISSIONER ARGENZIANO:** Of course.

9 **MR. BALLINGER:** Your refrigerator. The
10 second refrigerator in the garage.

11 **COMMISSIONER ARGENZIANO:** But you are not
12 saying that you should neglect the lighting?

13 **MR. BALLINGER:** No.

14 **COMMISSIONER ARGENZIANO:** Okay. So you
15 want total conservation. You want to try to make
16 the best efforts you can. And I think every little
17 bit -- it just gets to where you want to go.

18 **MR. BALLINGER:** I think part of it, too,
19 is for a lot of us, thankfully, our electric bill is
20 not a major burden, and we are very fortunate to be
21 that, but there are some that it is, and they have
22 got to look at every way to do it.

23 **COMMISSIONER ARGENZIANO:** Well, you do
24 have a lot of people out there, I'm sure, with very
25 old AC units and so on and so on. And did you

1 indicate that there were incentives or rebates --

2 **MR. BALLINGER:** There are.

3 **COMMISSIONER ARGENZIANO:** -- for the --
4 well, I'm trying to think of how they really work.
5 If you are really in the lower income bracket and
6 you really can't afford a new air conditioning unit,
7 what type of rebates are available for that, or
8 incentives?

9 **MR. BALLINGER:** Rebates are based on going
10 above and beyond the minimum efficiency standards
11 when you replace it. So right now --

12 **COMMISSIONER ARGENZIANO:** No. Let me
13 rephrase that. To the dollar to the pocket to the
14 person who doesn't have the money to replace a unit
15 that's poor in energy efficiency, what kind of
16 savings are there realized there? Is there a way to
17 get those people who have old units using new energy
18 efficient units with the least amount of cost?

19 **MR. BALLINGER:** The amount of incentive is
20 not based on an income level or a needs based. It
21 is based on if I improve the efficiency of the unit,
22 I'm going to save so much demand and energy.

23 **COMMISSIONER ARGENZIANO:** And I understand
24 that, but that's what I'm getting at. That is part
25 of the problem. If people can't afford it, it

1 doesn't matter how much it is going to improve their
2 energy efficiency if they don't have the money to
3 put out there. And that's what I'm trying to figure
4 out.

5 **MR. BALLINGER:** Correct.

6 **COMMISSIONER ARGENZIANO:** What type of
7 incentives, either state, federal, utility are there
8 available.

9 **MR. BALLINGER:** And that's where the
10 Legislature has apportioned money like through the
11 energy office to do rebates for solar water heaters
12 and things of that nature, because you are getting
13 into a social aspect, if you will, of providing for
14 this.

15 **COMMISSIONER ARGENZIANO:** Right.

16 **MR. BALLINGER:** And I personally
17 believe -- I think that is what the legislatures
18 decide to do. If they want to set up a program to
19 have \$10 million or whatever for rebates for this,
20 they could do it. I'm looking -- (simultaneous
21 conversation) -- from the Commission.

22 **COMMISSIONER ARGENZIANO:** Right. That's
23 what I'm asking you. Federal, state, utilities, are
24 there any such out there now in the state of Florida
25 that helps the families that are struggling more

1 today to be able to make the changes?

2 **MR. BALLINGER:** Yes. DCA has the LIHEAP
3 program which helps families who are struggling.
4 There's other social agencies that go through and
5 they identify -- and utilities work with these
6 social agencies. In fact --

7 **COMMISSIONER ARGENZIANO:** But you know
8 what, I know those, and those aren't really going to
9 replace air conditioning units and water heaters. I
10 think some of them may be now with the water heaters
11 with the solar panels, but I don't think we are on
12 the same page of what I'm asking.

13 **MR. BALLINGER:** But, again, the decision
14 is should the utility ratepayers do it or should it
15 be a legislative call to do it as a societal
16 benefit.

17 **COMMISSIONER ARGENZIANO:** Right. And I
18 understand that. I'm just trying to get to where
19 the use really is and how we get to be more energy
20 efficient. And then, of course, the policymakers
21 are going to have to figure out where that one goes.

22 **MR. BALLINGER:** But, again, what we found
23 was the bulk of this was in the
24 commercial/industrial sector, not the mom and pop
25 residences. So that was an eye-opening --

1 **COMMISSIONER ARGENZIANO:** By that kind
2 of -- and I understand what you're saying, but
3 neglecting to look at the mom and pop, or the homes,
4 the residential sections, I think, or minimizing the
5 aggregate savings or to the peak demand by the
6 residential users is probably problematic for me. I
7 think that it all adds up. I understand what you're
8 saying, the bulk in the commercial area, and I
9 agree. But I think what I'm trying to do is figure
10 out for every residence that we have in the state of
11 Florida, how do you get --

12 **MR. BALLINGER:** I think for every customer
13 class there is some form of conservation program
14 that they can participate in. Now, I can't
15 participate in a pool pump program because I don't
16 have a pool, okay? So there's varieties like that,
17 but I think there is coverage among everybody to
18 where there are utility programs available to every
19 customer class.

20 **COMMISSIONER ARGENZIANO:** And I agree to
21 some degree, because if you are really a poor family
22 out there you can't ask the company to give you
23 something for free. That's where the Legislature
24 has to come in and say how do we make policy to
25 allow this to happen. But I don't see where you

1 have hardworking families out there who are
2 struggling that can make those changes to become
3 more energy efficient without some kind of help.
4 And I'm not saying it has to be a give-away from the
5 utility. I'm trying to figure out as a whole how we
6 get to really these conservation goals if we are
7 really serious about it.

8 But, let me ask you, I have heard it a
9 number of times in regards to the two-year payback
10 and the -- that, you know, if we go with aggressive
11 conservation goals that rates are going to be
12 impacted because the companies have, you know, fixed
13 costs and they have to recover those fixed costs.
14 So if we go to more aggressive conservation goals, I
15 have heard that rates would jump up.

16 And I understand that, but isn't it kind
17 of a balancing act that if you have -- that if
18 consumers decrease their usage that even if rates
19 had to go up -- which a lot of people have a hard
20 time understanding, because they are trying to
21 conserve and yet the company has fixed costs, so
22 they say, gee, we are being penalized for conserving
23 because the company still has to recover. And if
24 everybody conserved all at once the company still
25 has to recover those costs. But if it was a

1 balancing act that the consumer used less, does it
2 necessarily mean that it would be higher cost to
3 consumers? If rates went up and yet they used less
4 wouldn't it -- couldn't it balance out?

5 **MR. BALLINGER:** You're correct. The
6 participating customer might still see a net benefit
7 even with an increased rate, but what we are saying
8 is the nonparticipating customer who either cannot
9 or choses not to participate, their rates go up.

10 **COMMISSIONER ARGENZIANO:** Right. But then
11 the goal is when you look at that and say, okay, how
12 do you get the nonparticipating customer to
13 participate? Well, the ones who can't afford it,
14 that is more difficult. That is a policy decision
15 on how you are going to help those who can't afford
16 it to become more energy efficient so that it
17 benefits everybody later somewhere down the road.
18 And those who maybe are just not inclined to
19 participate, well, then maybe they have to -- maybe
20 they will pay more. If you are not inclined to
21 participate when you can, then perhaps you should
22 pay more. I don't know. But, also, when it came
23 to -- I guess it was the rental, because a lot of
24 people in the rental community would be, as you say,
25 subsidizing. Are there any incentives for apartment

1 complexes to be more energy conservation minded?

2 **MR. BALLINGER:** There are, but you have
3 the disconnect between the owner of the equipment
4 and the user of the services. So even though the
5 landlord pays the money, does a rebate for an
6 efficient air conditioner, he is not seeing any
7 savings. Now, true, he might have happier tenants,
8 he might have -- or they can pay the rent instead of
9 paying an electric bill, but it's a hard market to
10 crack.

11 **COMMISSIONER ARGENZIANO:** And maybe that's
12 another policy call where the Legislature should be
13 thinking that maybe there is some kind of a tax
14 incentive or another incentive for the landlord to
15 be more energy --

16 **MR. BALLINGER:** Or your building code.

17 **COMMISSIONER ARGENZIANO:** Or your building
18 code, right. Okay.

19 Just a couple of more. In Issue 4, the
20 statutes indicate that all three tests should be
21 used to set goals. Were all three tests utilized in
22 the studies?

23 **MR. BALLINGER:** There was a lot of debate
24 at the hearing about which tests did the statute
25 really tell us to do, and it wasn't totally clear,

1 but I think it does tell you to use all three. And
2 I think all three give you valuable information.
3 Obviously, the Participant Test tells you about is
4 it beneficial to a person using this program. We
5 don't want to promote a program if it is not going
6 to be beneficial to somebody. That's just going to
7 create a lot of hate mail for us.

8 The TRC test tells you from a societal
9 standpoint does it look like a good thing to do, and
10 then the RIM test tells you the amount of
11 cross-subsidization you are looking at, and rate
12 impact that you are dealing with. And are you being
13 fair to the nonparticipating customers who are
14 having to pay for some of these incentives, but may
15 not be seeing a benefit. So I think all three tests
16 give you valuable information and should continue to
17 be used. I don't think the statute said
18 specifically do these.

19 **COMMISSIONER ARGENZIANO:** Well, I think it
20 does.

21 **MR. BALLINGER:** All right. And I agree,
22 it could read that.

23 **COMMISSIONER ARGENZIANO:** 366.82, I'm
24 going to read it to you. Let's see. "To comply
25 with the statute --" hang on. I don't have it front

1 of me.

2 **MR. BALLINGER:** I have it here. It is the
3 cost and benefits to customers participating in the
4 measure, and the cost and benefits to the general
5 body of ratepayers as a whole, including utility
6 incentives and participant contributions.

7 And I agree. I think staff reads that in
8 total that all three tests are required to be
9 considered by the Commission.

10 **COMMISSIONER ARGENZIANO:** Okay. That's
11 how I read it. To what extent were the tests
12 utilized in the studies?

13 **MR. BALLINGER:** The utilities provided
14 Participant values, RIM values, and TRC values, so
15 they did use all three tests.

16 **COMMISSIONER ARGENZIANO:** They did? You
17 are saying they did use all three tests. And were
18 they separately calculated according to each test?

19 **MR. BALLINGER:** Yes. They gave us --
20 obviously the Participant test is your first level
21 of screening, and all measures that pass the
22 Participant test, you go on to the next level. And
23 then they also proposed a RIM portfolio, things that
24 pass the RIM test, and measures that passed the TRC
25 test. So you had both levels, if you will, to

1 choose from.

2 And if you look at the colored charts
3 that's show on the E-RIM and the E-TRC values,
4 that's what the utilities had proposed using the two
5 different tests.

6 **COMMISSIONER ARGENZIANO:** It just seemed
7 like the staff analysis didn't really break down on
8 a docket-by-docket basis whether the RIM and the TRC
9 analysis had been performed.

10 **MR. BALLINGER:** Well, I apologize on that,
11 it was --

12 **COMMISSIONER ARGENZIANO:** Maybe I just
13 didn't get it right.

14 **MR. BALLINGER:** It was. It was performed.
15 The utilities proposed using the RIM to set goals,
16 the intervenors wanted to use the TRC test to set
17 goals.

18 **COMMISSIONER ARGENZIANO:** Okay. But
19 you're saying all three were --

20 **MR. BALLINGER:** Yes. Were provided, yes.

21 **COMMISSIONER ARGENZIANO:** Hang on one
22 second. I think that's it for now, Mr. Chair.

23 **CHAIRMAN CARTER:** Okay. That's fine.
24 Commissioners, anything further?

25 Tom, I wanted you to kind of go through

1 the -- you were talking about the changes in the
2 FEECA statute. Could you kind of go through that
3 again in terms of the --

4 **MR. BALLINGER:** On what was changed?

5 **CHAIRMAN CARTER:** Yes.

6 **MR. BALLINGER:** The primary change was
7 they added in the term demand-side renewable energy
8 systems to consider as part of our goals. It's
9 nothing new. The utilities when they have looked at
10 conservation programs have always looked at solar
11 water heaters and things of that nature on the
12 demand-side. It added a little tweak to looking at
13 solar PV and some other household things. So that
14 was a new twist added to it.

15 The second part would be these four
16 criteria that were listed in 366.82, Sub 3, and it
17 was basically four things that the Commission must
18 consider when setting the goals. The cost and
19 benefits to customers participating, the customers
20 and general body of ratepayers as a whole, the need
21 for incentives to promote both customer-owned and
22 utility-owned energy efficiency and demand-side
23 renewable energy systems, that's addressed in Issue
24 6 in the recommendation, and then the cost imposed
25 by state and federal regulations on the emission of

1 greenhouse gases, and that's addressed in Issue 5 in
2 the recommendation.

3 So those specific categories were laid out
4 by the Legislature for the Commission to consider.
5 On that they also authorized us to spend \$250,000
6 for a consultant, which we spent some of that money
7 to hire GDS Associates. It mandated that the
8 Florida Energy and Climate Commission be party to
9 the proceeding and comment on specific things, which
10 they did.

11 **CHAIRMAN CARTER:** Commissioner.

12 **COMMISSIONER ARGENZIANO:** The consultant,
13 are you talking about Witness Spellman?

14 **MR. BALLINGER:** Yes.

15 **COMMISSIONER ARGENZIANO:** Okay. Didn't he
16 express a concern that leaving off certain measures,
17 I guess, when it came to the supply-side
18 conservation issues -- and let me see if I got this
19 right. That is the page I was missing before. Let
20 me try to put it together.

21 **MR. BALLINGER:** He also recommended that
22 the free riders be included as part of the
23 goal-setting, and staff disagreed with his
24 recommendation on that.

25 **COMMISSIONER ARGENZIANO:** I thought

1 that -- yes, I guess that was part of it, but he
2 expressed a concern that leaving those measures and
3 other measures off resulted in the study
4 underestimating achievable potential, and that
5 concerned me.

6 **MR. BALLINGER:** He identified, I believe,
7 a few measures that he thought should have been
8 included in the technical potential, that perhaps --
9 however, I would point out to you the technical
10 potential study was done as a collaborative between
11 the utilities and SACE working together to identify
12 measures to come up with it.

13 **COMMISSIONER ARGENZIANO:** But if you leave
14 off those type of measures that he is talking about,
15 like smart strips, phantom load switch, second
16 refrigerators, all those other little things,
17 doesn't that then underestimate the achievable
18 potential?

19 **MR. BALLINGER:** It may. Those are more
20 specific programs, I think, that can get to design
21 and they may have been ones eliminated from the free
22 riders that were taken out. I'm drawing a blank now
23 specifically on those, but -- if I can continue on,
24 Chairman, too, that other additions were specific.
25 The Commission was authorized to issue financial

1 rewards or penalties for utilities where I talked
2 earlier where we could have the authority to impose
3 a program, not financial rewards and penalties. So
4 that was another change that was done in 2008.

5 **COMMISSIONER ARGENZIANO:** Mr. Chair, can I
6 but in there?

7 **CHAIRMAN CARTER:** Commissioner.

8 **COMMISSIONER ARGENZIANO:** The program
9 meaning a teaching program, kind of like quit
10 smoking?

11 **MR. BALLINGER:** Yes. Or it could be once
12 you set a goal for a utility, they decide the best
13 way to meet that control is to have a program that
14 pays a rebate to get rid of the second refrigerator.
15 That's the program specific type of thing that you
16 look at. When you are looking at energy efficiency
17 measures you are looking at general technologies and
18 things like this. When you get to the program level
19 you may combine some of these and put them together
20 to determine what the rebate should be.

21 **COMMISSIONER ARGENZIANO:** So there are no
22 program like that right now as far as like getting
23 rid of the second refrigerator or a rebate. I'm
24 trying to figure out --

25 **MR. BALLINGER:** I don't believe so.

1 **COMMISSIONER ARGENZIANO:** -- how long it
2 takes people to learn, or for us to learn what it
3 takes to be more energy conservationist. It seems
4 like we are always doing studies or saying, you
5 know, let's have a program to teach people. And if
6 they haven't learned by now -- I mean, I think now
7 it's time to kick in with the rebates and the
8 incentives, and that is kind of a message for the
9 Legislature, too.

10 **MR. BALLINGER:** I can tell you from
11 personal experience, I think it is really at our
12 children's level as where we are starting. And I
13 have done several talks at schools with
14 middle-aged -- middle school, elementary, and
15 even --

16 **COMMISSIONER ARGENZIANO:** Middle-aged?
17 (Laughter.)

18 **MR. BALLINGER:** Yes, middle-aged high
19 schoolers. With middle school, and elementary, and
20 even high school kids about energy efficiency and
21 conservation. And I'm amazed that they are -- and I
22 guess it is from the way our economy has gone over
23 the last years, they are oblivious to the cost of
24 electricity and what it costs. But they realize
25 there is little things that they can do to save, and

1 that they will be paying these bills in the near
2 future. So I think if our focus is there, we can
3 get a lot done.

4 It was amazing to me just how out of touch
5 they were with it. And I think if education is
6 focused there, that will make a huge difference.
7 And, like I said earlier, quite frankly, a lot of us
8 are very fortunate to have jobs that our electric
9 bill is not a huge percentage of our disposable
10 income.

11 **COMMISSIONER ARGENZIANO:** But I'm not sure
12 we can wait for those kids to grow up.

13 **MR. BALLINGER:** I agree. I think everyone
14 needs to get the message. There's a lot that you
15 can do on your own and you need to do on your own.

16 **COMMISSIONER ARGENZIANO:** And I agree with
17 that. I mean, there is a lot of people who have
18 taken steps to do things on their own, but what I'm
19 afraid of is that we are not moving aggressively
20 enough to really have meaningful conservation goals,
21 because there are some people that simply can't
22 afford it, and that, like we said before, probably
23 is going to be a policy decision. How do you give
24 them the opportunity to be able to join in and be
25 more conservation oriented, and those who just

1 simply choose not to. But at some point the state
2 has to, you know, move forward.

3 Can I ask one other question, Mr. Chair?

4 **CHAIRMAN CARTER:** Yes, ma'am.

5 **COMMISSIONER ARGENZIANO:** As far as other
6 states are concerned, when we talk about -- and I
7 have seen it that other states have saved, you know,
8 a certain percentage of their energy demand through
9 efficiency every year. What are we talking about as
10 far as percentage in the state of Florida, and how
11 far behind other states are we really?

12 **MR. BALLINGER:** I have seen the same data
13 turned different ways and give you different
14 results. What I can say for Florida is I believe
15 the number is about -- on a cumulative basis about
16 7,000 gigawatt hours a year that we are saving from
17 existing programs that have continued on and new
18 programs adding. That is a significant amount of
19 savings. In terms of percentage, I don't have the
20 number off the top of my head. And, unfortunately,
21 I don't know what the statutory requirements are in
22 other states as far as setting those goals.

23 You also have to look at some states may
24 not have the electric load that Florida has. You
25 know, the average consumer uses about 1,200 kilowatt

1 hours a month in Florida. In states like Tennessee
2 it might be 600. So you can do a little bit and it
3 is a huge percentage. So the numbers sometimes
4 don't give you the total meaning of it.

5 Bottom line, we all have the same types of
6 houses. You have a little bit different load in
7 Florida. You have more air conditioning load than
8 you do in the midwest or the northeast, and we have
9 seen housing size grow, which is a big driver of
10 demand and energy.

11 **COMMISSIONER ARGENZIANO:** What percentage
12 would you say that we are aiming at with what staff
13 has before us today as far as energy demand per year
14 that we are trying to save, or how would you
15 calculate it?

16 **MR. BALLINGER:** If you will give me --

17 **COMMISSIONER ARGENZIANO:** Where are we
18 currently and --

19 **MR. BALLINGER:** If we could take a
20 five-minute break, I could give -- I have the
21 numbers. What I did is for like SACE, I took their
22 energy number and turned it into equivalent number
23 of residential customers. Typically what that would
24 do is give you an order of magnitude. I haven't
25 done that yet for staff's number, but I can. It

1 would take me just a couple of minutes.

2 **COMMISSIONER ARGENZIANO:** And if you
3 could, when you do that, could you tell me where we
4 are currently today and how much of an increase in
5 savings that would be percentage-wise when you give
6 me the number?

7 **MR. BALLINGER:** Oh, I can give you that
8 number. The growth, staff's number is about
9 6 percent of our growth, our estimated growth.

10 **COMMISSIONER ARGENZIANO:** You say
11 estimated growth, I'm talking about savings.

12 **MR. BALLINGER:** The next ten years,
13 staff's goal is -- or staff's proposed goal would
14 save about 6 percent of the anticipated growth.

15 **COMMISSIONER ARGENZIANO:** So that's less
16 than a percent a year.

17 **MR. BALLINGER:** Yes.

18 **COMMISSIONER ARGENZIANO:** I'm trying to
19 get at a yearly --

20 **MR. BALLINGER:** Yes.

21 **COMMISSIONER ARGENZIANO:** And where are we
22 now? Is that what you are going to get for me?

23 **MR. BALLINGER:** No, that's another number
24 I'm going to have to go find.

25 **COMMISSIONER ARGENZIANO:** Okay. You

1 understand what I'm asking.

2 **MR. BALLINGER:** Yes.

3 **COMMISSIONER ARGENZIANO:** Because if we
4 are talking about a .02 percent savings a year, I
5 don't think that's aggressive at all.

6 **MR. BALLINGER:** The numbers -- and, again,
7 it goes back to what the statute requires. The
8 statute requires us to set goals to control the
9 growth rate of electric consumption. The numbers
10 you have seen of .2 percent is comparing it overall
11 sales.

12 **COMMISSIONER ARGENZIANO:** Doesn't the
13 statute also say to get the most efficient --

14 **MR. BALLINGER:** Most cost-effective.

15 **COMMISSIONER ARGENZIANO:** Most
16 cost-effective and most cost-efficient -- I'm sorry.

17 **MR. BALLINGER:** It's most cost-effective.
18 To me that means avoided cost is your comparison.
19 It's not that it's the most efficient measure to do,
20 it's is it cost-effective from the general body of
21 ratepayers.

22 **CHAIRMAN CARTER:** I'm going to go back
23 into the statute when we come back and read
24 something that sounds a little conflicting to me, or
25 asking us to do both.

1 **MR. BALLINGER:** Yes. It's a balancing
2 act.

3 **CHAIRMAN CARTER:** Let me do this just in
4 case you might need to do some more computations.

5 Commissioners, before we take a break and
6 let staff do that, let me see if there are any
7 questions along this line.

8 Commissioner Skop.

9 **COMMISSIONER SKOP:** Thank you, Mr. Chair.

10 I just wanted to go back to Page 15 with
11 respect to the achievable potential by a utility.
12 There is chart at the bottom of Page 15, and it
13 looks at the TRC test, and looks at the -- Column D
14 looks at the percent excluded due to the two-year
15 screen, which seems to be the majority of any
16 achievable potential under Column B.

17 So I guess the question I have for staff
18 is on Page 15 in the middle of the page, it says
19 that the two-year payback period was agreed to by
20 the collaborative as a means of addressing the
21 free-ridership issue. Who is the collaborative, is
22 it the utilities?

23 **MR. BALLINGER:** And SACE, also.

24 **COMMISSIONER SKOP:** All right. And with
25 respect to the two-year payback period, would not

1 implementation of some of these measures,
2 particularly by low-income consumers, result in
3 additional achievable or realized efficiency savings
4 if some of these were not excluded up front?

5 For instance, some of the consumers, low
6 income, what have you, that don't really have all
7 the money to put in, you know, a 16, 17 SEER air
8 conditioning, but could benefit by upgrading their
9 old dilapidated energy inefficient air conditioning
10 system to something that meets current building code
11 standards -- I mean, I have recently replaced my
12 heat pump or my old AC a couple of years back with a
13 high-efficiency -- not super high efficiency, but
14 higher than code heat pump, and the savings were
15 tremendous, not only on heating and cooling, but,
16 again, I had the means to do that.

17 Somebody that is a senior citizen that may
18 have one of those window unit air conditionings that
19 certainly is not efficient trying to cool their home
20 that might benefit from getting something more
21 efficient, but doesn't have the means or the
22 resources to do so without some sort of rebates
23 or -- you know, looking at the payback. Are there
24 additional things that could be done there that have
25 been just excluded up front that would make a

1 difference in terms of moving the needle?

2 **CHAIRMAN CARTER:** Before you answer that,
3 I lost my train of thought, Commissioner Argenziano,
4 when you asked the question, is that I found that
5 last year when I replaced my HVAC unit for the
6 house, the contractor told me, he said they have got
7 a program with the city. And so, you know, like
8 everybody else, I wanted to save money, but when I
9 called the city they had oversubscribed all of the
10 low-interest loans, so I was not able to get one of
11 the low-interest loans.

12 And I think that probably -- and I know
13 during the context of the questions we seem to keep
14 coming back to the fact that the Legislature or
15 someone needs to provide some resources for folk to
16 be able to do that. Obviously, you know, because I
17 had a higher authority, which is my wife saying you
18 better get some air conditioning or you are going to
19 be in here by yourself, so I had a different
20 motivation for doing that, but I think that a lot of
21 people couldn't do that because of the financing.
22 And as I said, the city had already oversubscribed
23 all the low-interest loan money that they had there.

24 So, I don't know, but I think that it
25 would be incumbent to find those kind of resources

1 and more people would participate in it, because
2 senior citizens will say, you know, if I've got to
3 choose between medicine and buying another air
4 conditioning, I'll just have to suffer with this one
5 for another couple of years or so. But I do think
6 that that is a critical issue in terms of -- I
7 think, Tom, you referred to the issue being social,
8 but I think there is a critical issue in terms of
9 the resources for that because I think with the
10 Governor's Energy Office that money was out in less
11 than two months or so that the Legislature had
12 appropriated for that.

13 **COMMISSIONER ARGENZIANO:** Which shows you,
14 Mr. Chair, that there are a number of people who
15 cannot, especially now, who cannot afford to change
16 over to more energy efficient. And while there is
17 not enough money to go around, you know, the money
18 doesn't grow on trees, as we know, huh, only if it
19 did we would be much greener to begin with.

20 **CHAIRMAN CARTER:** Everybody would be green
21 then.

22 **COMMISSIONER ARGENZIANO:** But there are
23 ways of doing that, you know, incentivizing it. And
24 I believe -- the next question I was just going to
25 ask if I could real quickly was I believe in the

1 statute it authorizes the Commission to -- we may
2 authorize financial rewards for those utilities over
3 which it has rate-setting authority to exceed their
4 goals -- that exceed their goals and may authorize
5 financial penalties -- the other way around. Have
6 we done anything in that regard? Are we looking at
7 that at all to offer rewards for utilities who may
8 get to exceed that 20 percent or --

9 **MR. BALLINGER:** That was an issue in the
10 hearing, and all parties agreed that that should be
11 an issue for a later date to see where we fall,
12 because --

13 **COMMISSIONER ARGENZIANO:** Well, we are
14 never going to get -- we are never going to get to
15 conserve anything if everything is a later date.

16 **MR. BALLINGER:** Even the utilities agreed
17 they don't need really need an incentive yet. It
18 was really because it is complicated. How do
19 structure the incentives? The statute was pretty
20 clear that the reward would be up to 50 basis
21 points, I believe it was, if you exceeded growth by
22 20 percent, and it would be done through a limited
23 proceeding. So I think the statute has laid out if
24 you are going to do an incentive, first you have to
25 prove that you have exceeded the goals --

1 **COMMISSIONER ARGENZIANO:** But does it take
2 ten years to get this? I think we are beyond that.
3 I think we are already at the point where I think we
4 can figure out that if we have created this
5 incentive that it should be moving forward. And if
6 we wait for a later date it is never going to move
7 forward.

8 Just one other question. Do we know
9 that -- do the utilities expend any dollars on
10 research and development, any R&D on real
11 conservation goal --

12 **MR. BALLINGER:** Yes, they do. All
13 utilities have R&D programs. They look at emerging
14 technologies.

15 **COMMISSIONER ARGENZIANO:** But I never look
16 at them. I would love to be able to get some
17 information on what they are really, you know,
18 spending R&D dollars on.

19 **MR. BALLINGER:** Typically, they are an
20 umbrella program that looks at it, and they will
21 give ideas, and they will do pilots, they will set
22 up a thing to do measuring, monitoring, and report
23 back to us on the results of that. How much energy
24 did it save; how much demand it save; what was the
25 cost, pros and cons. And a lot of them have evolved

1 into realtime programs, and that's the goal of it is
2 to get the information on the technology or the
3 method and somehow structure it into an evolving
4 program.

5 One example has been the realtime pricing
6 I think TECO has. They first did it as a pilot
7 program. They put it out there with thermostats and
8 they would send price signals to the thermostat
9 which would be programmed to automatically shut off
10 an air conditioner if the price got too high. They
11 wanted to see the customer response to that. How
12 actually did it work, things like that. And that
13 has evolved into a full-time program now. So, yes,
14 they do do R&D.

15 **CHAIRMAN CARTER:** Commissioner Skop, I had
16 interrupted you. You were asking a question, but I
17 had one of my over-50 moments and I had to ask it
18 before I forgot it again. You're recognized, sir.

19 **COMMISSIONER SKOP:** That's fine. Just two
20 follow-up questions.

21 I guess with respect to the Itron study,
22 Itron performed that on behalf of the utilities, is
23 that correct?

24 **MR. BALLINGER:** It was the collaborative,
25 but I believe the utilities were the only ones who

1 paid for it.

2 **COMMISSIONER SKOP:** Okay. So it was a
3 joint collaborative effort? Okay. All right. I
4 guess just one observation that stems to a point
5 that Commissioner Argerziano made and the one I was
6 trying to allude to. It seems to me that the
7 fundamental difficulty of goals setting is that all
8 of the ratepayers contribute to energy efficiency
9 and conservation type programs through the
10 assessment in their rates.

11 Unfortunately, because of the way things
12 are structured, whether it be the exclusion of the
13 two-year payback period, or not looking at all the
14 tests, it seems that only those ratepayers with the
15 means to implement change or avail themselves of
16 rebates or benefits are able actually to be
17 participants and get some value. So it's more of
18 how do you look at bringing value to the entire
19 class of ratepayers for something that promotes
20 energy efficiency and conservation in a relatively
21 cost-effective manner. Because, again, in my
22 particular instance, and, again, Chairman Carter
23 mentioned the same experience. You know, if you
24 want to upgrade your AC, which for somebody living
25 in a mobile home with a window unit can be a

1 significant cost driver in their total electric
2 bill, whether they are using that or a portable
3 heater for heat, you know, that can be a major
4 driver.

5 At least for me, as a homeowner, I was
6 faced with the rebates are set on units that are
7 super-efficient that cost far more than the modern
8 code unit that are almost -- you know, you have to
9 do a payback analysis to see if you will even
10 break-even. If you're not going to be in your home
11 for 20 years, or 10, or 15 years you might not even
12 see payback or be able to reach those elusive
13 rebates. So to me it seems that there is some
14 benefit to be derived from merely encouraging
15 homeowners to adopt more efficient methods of
16 heating and cooling or other energy efficiency
17 measures, but those aren't often available to the
18 people that really need it, or could really take
19 advantage of it because of the screenings that are
20 done and the exclusions. So how can we do more to
21 get wider adoption of energy efficiency and
22 conservation by the entire class of ratepayers, not
23 strictly limited to the industrial consumer or the
24 ultra rich consumer that has a lot of disposable
25 income? But to Commissioner Argenziano's point, to

1 bring it down to the mom and pop consumer, senior
2 citizens that want to help, you know, save energy
3 and lower their bill but, you know, don't really
4 have the means to make the quantum leap changes.

5 **MR. BALLINGER:** Correct. First, let me be
6 clear rebates and incentives for high-efficiency AC
7 units were not part of the two-year screen out. The
8 measures that came out of that were your CFL light
9 bulbs, tune-ups on air conditioners, just having
10 somebody service, make sure they have the proper
11 refrigerant charge, very simple things, and pool
12 pump -- efficient pool pump motors, which obviously
13 is not in a low income is not going to apply there,
14 I don't think. So those were the types of measures
15 that were screened out that saw this huge savings.
16 They are very simple.

17 And, again, it comes down to the
18 philosophy if there is a measure available that is
19 going to give me a very quick payback from a
20 financial incentive, the capital outlay should not
21 be that much if I'm going to get it back real quick.
22 So the financial barrier really is not there for
23 those types of things. And then I don't think it's
24 fair that if it is there for me that Katherine here
25 should have to pay for that incentive. That is the

1 issue you are faced with is that if there is
2 something out there that is that much of a savings,
3 which tells you that it is not a huge capital
4 incentive to do, is it fair to have other ratepayers
5 pay for that? And that is the issue before you.

6 **CHAIRMAN CARTER:** Commissioner Argenziano,
7 and then I will come back to you, Commissioner.

8 **COMMISSIONER ARGENZIANO:** When the country
9 is trying to move forward on changing the way we
10 have used energy, and if the country does not
11 recognize, or if the state does not recognize that
12 there are some who are going to sit on their duffs
13 and do nothing, then perhaps, well, then they are
14 going to pay. And there are many people who just
15 simply cannot do something. If we are not willing
16 to help them change over, then we are never going to
17 get to those goals.

18 **MR. BALLINGER:** And I agree with you. I
19 think the place for that is at the Legislature.

20 **COMMISSIONER ARGENZIANO:** You know how I
21 feel about that, and that is what I have been saying
22 all day here. There are policy changes that are
23 going to have to be the Legislature's decision. But
24 also I think I heard you say that to change over
25 that it's not that --

1 **MR. BALLINGER:** If something has a
2 two-year payback or less, that means the capital
3 outlay -- you are going to recover back, it's a
4 return on your investment. It's a very quick --

5 **COMMISSIONER ARGENZIANO:** Yes, but I don't
6 maybe -- I had a Senate district of 13 counties,
7 okay, and some of those counties were the most poor
8 counties. Five dollars means a great deal to some
9 people at the end of the month. So to consider or
10 to say what may be not that hard to achieve for you
11 or for me or for someone else is really -- I need to
12 take you to some of those counties.

13 **MR. BALLINGER:** No, I understand. There
14 are some close by Tallahassee here that are at that
15 level.

16 **COMMISSIONER ARGENZIANO:** Well,
17 Tallahassee was part of one of my counties.

18 **MR. BALLINGER:** There are other social
19 agencies that help with things like that to allow
20 people to get the upfront capital to replace their
21 light bulbs and help them with that.

22 **COMMISSIONER ARGENZIANO:** But it's not
23 working. What I'm trying to tell you is that it's
24 not working. It's working to some degree, but it is
25 almost minutia compared to where we need to go. And

1 if we continue with the same thinking because we're
2 afraid that other people are going to subsidize it,
3 well, we subsidize people all the time. If the
4 country needs to get to a concern goal, some people
5 are going to have to subsidize, I guess.

6 **MR. BALLINGER:** I would also let you know
7 each utility has its own low-income program where
8 they specifically --

9 **COMMISSIONER ARGENZIANO:** Oh, I know. I'm
10 well aware of that.

11 **MR. BALLINGER:** -- work with agencies, and
12 also I would suggest to you that the low-income
13 portion, or the people who can't afford this is a
14 small portion of their overall ratepayers.

15 **COMMISSIONER ARGENZIANO:** You know, I
16 think what you're not understanding, and I
17 understand where you're coming from, what you're
18 saying, the low income is a small -- but it is a lot
19 bigger than you think, especially today. Even the
20 middle income, there is a lot of people in the
21 middle income who are falling between the cracks.
22 As you heard the Chairman say, there are some --
23 some programs are available and they are quickly
24 scooped up because people cannot afford it. So on
25 one hand we're saying we have to reach these goals,

1 and it can't be all on the utilities, and the policy
2 is going to have to change, but you can't -- keeping
3 blinders on and thinking that, you know, it's just a
4 small portion. A lot more people are falling into
5 those categories, and that's why we are not making
6 headway, and that's why those programs that are out
7 there are being taken up so quickly.

8 It's so easy to see that there are many
9 more people who fall in that category now than just
10 the lower income. There is people working out there
11 who have higher incomes that are just strapped.
12 Whatever it is, their own decision, or personal, I'm
13 just trying to focus on how do you get to where --
14 and I see some of the stumbling blocks being that we
15 can't solve it all. The utilities can't solve it
16 all. I understand the Legislature has to get in
17 there and that it is not an easy task when there is
18 not money to go around to give to everybody, but --
19 and I guess I don't know how else to express it
20 other than we have to move forward and it has to be
21 a combination of events that occur to actually get
22 to conservation goals.

23 **MR. BALLINGER:** I agree with you. And
24 it's not just the utilities out there. You have
25 building code changes.

1 **COMMISSIONER ARGENZIANO:** Of course.

2 **MR. BALLINGER:** I heard a gentleman a few
3 weeks ago talking about in certain states they made
4 it mandatory that new buildings have solar water
5 heaters on them.

6 **COMMISSIONER ARGENZIANO:** Right.

7 **MR. BALLINGER:** I personally think that is
8 a great idea. And if you want to make changes,
9 that's what you need to do.

10 **COMMISSIONER ARGENZIANO:** So do I.

11 **MR. BALLINGER:** It reduces the capital
12 impact for putting in solar water heaters. It
13 spreads it over the 30-year mortgage. It makes
14 sense to me.

15 **COMMISSIONER ARGENZIANO:** Right.

16 **MR. BALLINGER:** That's not that we are
17 faced with here. You know, that is for another day,
18 another time. But I think it is the right direction
19 to move in. But the utility programs are just one
20 component of an overall. You have the building
21 codes, you have appliance efficiency standards,
22 which have been improving better and better. You
23 heard that in this hearing with FPL. But that is
24 taking up a significant portion of new appliance
25 efficiency standards over the next couple of years

1 with air conditioners and light bulbs and thinks
2 like that. You won't be able to buy an incandescent
3 bulb in the next few years. So it's slowly getting
4 there, and I am faced with what we have got today in
5 the record with the stacks of papers we have.

6 **COMMISSIONER ARGENZIANO:** But it just
7 seems -- and forgive me, but it just seems like we
8 are moving horribly slow. And I understand you
9 can't move sometimes too quick because of financial,
10 but that's the message that I think the Legislature
11 needs to hear also is that while we can do what we
12 can do here at the PSC, and what the utilities can
13 do, and what the public can do, and the commercial
14 areas can do, there needs to be more done as far as
15 policy is concerned to figure out if there aren't
16 real dollars out there how do we -- give us the
17 tools to give to the utilities.

18 And we have some of them which we are not
19 utilizing in some of the incentives that we have,
20 and financial rewards and so on, to move forward
21 with conservation goals quicker if we can, so that
22 it is not all on the utilities, or it is not all on
23 the Legislature with general revenue to say here,
24 here is money we are doling out. It can't work that
25 way. But, I just think -- I guess overall what I

1 see in the staff's recommendation -- and I
2 understand the staff's desire right now, we are all
3 very conscious of the financial burdens on the
4 consumers right now, and not wanting to overburden
5 them, but if we don't move forward and keep the
6 status quo, we are never ever going to get there.
7 It's just never going to happen.

8 We are going to hear five years from now
9 that we have to develop the programs and we have to
10 keep moving in the same direction. And I have seen
11 that before too many times and then we never get to
12 where we need to go. And I'm just worried that we
13 are not using some of the tools we have right now to
14 move forward to maybe get the policy decisions made
15 that will help us to move it a step further in five
16 years rather than waiting five years.

17 **CHAIRMAN CARTER:** Okay. Commissioner
18 Klement and then Commissioner Skop.

19 **COMMISSIONER KLEMENT:** Thank you, Mr.
20 Chairman.

21 It seems that we're in familiar territory
22 here between a rock and a hard place. I'm getting
23 used to it.

24 Commissioner Argenziano has summed up the
25 problem fairly well. I agree with her, and I agree

1 with the statements that have been made about the
2 status of the low income consumers, and I empathize
3 with the staff on the work that they put in.
4 They've been trying to follow the, the mandates and
5 the statutes to the best of their ability.

6 It seems to come down to whether -- there
7 is no free lunch. Where is the money going to come
8 from? Does it have to come from additional rates to
9 consumers, additional costs? If that's the case,
10 how much are we talking about? Last -- two weeks
11 ago when we were talking about TECO's solar plant,
12 to, to help them pay for that, we were talking in
13 terms of 40 cents per month, something like that. I
14 was ready to say yes to that. I think we were close
15 to doing that before it was deferred.

16 But on Page 73 we've got some figures.
17 These are the only figures per customer, average
18 customer that I see that would be for solar, annual
19 solar expenditures. Can we get some, some other
20 estimates or consequences to, or some other measure
21 that would provide more incentive money so that
22 there would be more money? And maybe that would
23 send a message to the Legislature too to increase
24 their contribution. We can beat up on them, but we
25 know that they're in the same budget quandary that

1 everyone else is. They don't have a lot of money
2 for this either.

3 If we're going to lead, we're going to
4 have to do something to provide at least some
5 additional money. And is nine cents, ten cents,
6 five cents going to really make a difference to even
7 the low income customer? Yes, \$5 does. But what
8 are we talking about? That's, I guess I would like
9 some figures there.

10 **CHAIRMAN CARTER:** Tom.

11 **MR. BALLINGER:** I'm not quite sure I
12 understand the charge of figures, of questions or
13 dollars for which types of programs.

14 **CHAIRMAN CARTER:** From -- he's on Table
15 11.

16 **MR. BALLINGER:** Yeah. That's, that's the
17 figures for the pilot programs established
18 recommending for solar water heaters and solar PV
19 systems. The estimated bill impact would be between
20 four and ten cents a month. But you asked for
21 figures for other programs, and I'm not quite sure
22 what you mean.

23 **COMMISSIONER KLEMENT:** Well, isn't the
24 problem that we, that there's not enough money in
25 the incentive pools to help people replace their,

1 their outdated air conditioners and so forth?

2 **MR. BALLINGER:** I think there is. I think
3 there's programs out there that provide incentives
4 to replace your air conditioner, things of that
5 nature. And here's typically the way the scenario
6 goes. Your air conditioner is working fine. One
7 day it breaks. Okay. You're in that quandary. You
8 need to get an air conditioner now. The appliance
9 efficiency standard says I can replace that only
10 with a CR-13, okay, which costs, let's say, \$4,000
11 to replace it.

12 If I go to a CR-15, I might get a
13 \$500 rebate from the utility. It might cost me an
14 extra thousand dollars to go to that CR-15, but I
15 get some money to offset it and I make that
16 conscious decision do I want to go to the next level
17 of energy efficiency.

18 But the bottom line, it usually doesn't
19 get -- it might be a difference in numbers, I'm just
20 picking these up, but there are programs out there
21 to do that. And, again, the utilities are offering
22 programs that go above and beyond what is required
23 by either appliance efficiencies or building codes.
24 They're not duplicating the efforts of those other
25 conservation programs that are out there. So

1 there's -- there are programs available that are
2 eligible to people.

3 Now if it comes to the point that my
4 financial situation, my air conditioner breaks and I
5 can't afford even the CR-13, then my house stays
6 warm and that's what I have to do. If we're looking
7 at replacing just that, that's a whole different
8 program I guess and that's what I'm --

9 **COMMISSIONER ARGENZIANO:** Mr. Chair, can I
10 ask --

11 **CHAIRMAN CARTER:** Commissioner Argenziano,
12 then I'll come back to you, Commissioner Klement,
13 then Commissioner Skop.

14 **COMMISSIONER ARGENZIANO:** Basically I
15 would like to answer the Commissioner's question.

16 **CHAIRMAN CARTER:** You're recognized.

17 **COMMISSIONER ARGENZIANO:** The programs
18 he's describing are limited, very limited, and they
19 get taken up very quickly. What I'm talking about
20 is people's air conditioners who are not broken, who
21 are horribly inefficient, who would love to be able,
22 that's where we have no programs for those people
23 who cannot, cannot change over. It's not broken
24 down -- and heaven forbid in Florida if we have
25 people without air conditioning during the summer

1 are no programs really available. That's where I
2 was trying to get to somehow with what the statute
3 allowed us to do in authorizing the Commission to

1 because we're going to lose a lot of our residents,
2 especially senior citizens, and I don't take that
3 lightly, I really don't. I think that's a horrible
4 thing to have to happen and we need to help those
5 people if we're, if we're human in any, by any
6 means. I'm not saying that everybody can afford to
7 pay for everybody else, but that's what we're
8 supposed to be about.

9 What I'm talking about is when you have
10 many homes, and there are many that have not been
11 able to switch over to the more energy efficient air
12 conditioners, solar water heaters, which I remember
13 a discussion here a couple of years ago about how
14 much money would it take to put a solar water heater
15 on everybody's house and how much power, you know,
16 how much would that save us in our, in our energy in
17 our utility companies. It was quite a bit. But
18 what he's describing to you is limited and not to
19 the many homes that have functioning air
20 conditioners or functioning electric using devices
21 that are not energy efficient, and that's where the
22 problem I'm talking about, the low income families
23 and even some of the middle income families. Many

1 perhaps this is a way. We know the companies have
2 fixed costs that they have to, they have to --
3 excuse me. Let me get to 91. I went too far. And
4 I'm trying to find ways, because we have bunches of
5 people out there, many families that can't get to
6 changeover, and, and those programs where they,
7 where the air conditioner does die, they get taken
8 up so quickly. Perhaps this is a mechanism to get
9 us to that point and allow the company the higher
10 ROE in basis points in helping us to get there. Not
11 asking them to do it on the goodness of their own --
12 you know, they can't do that. They've got fixed
13 costs and I understand that. We have a tool here
14 and we're not using it.

15 **COMMISSIONER KLEMENT:** Mr. Chairman.
16 Wouldn't, wouldn't that, if there were such a
17 program, wouldn't that spread the costs around to
18 the whole base while bringing the benefits to those
19 who need it the most?

20 **CHAIRMAN CARTER:** It would. I'm thinking,
21 because I think for FPL that would be 1.3 million;
22 is that right, Tom?

23 **MR. BALLINGER:** No. For FPL --

24 **CHAIRMAN CARTER:** Am I reading it wrong?

25 **MR. BALLINGER:** 50 basis points would be

1 about \$65 million.

2 **CHAIRMAN CARTER:** \$65 million?

3 **MR. BALLINGER:** Yes.

4 **CHAIRMAN CARTER:** That's even better. And
5 then for Progress?

6 **MR. BALLINGER:** Progress, it would be 27
7 million. It's about half of that top number that
8 says 100 basis points. I'm doing -- TECO would be
9 about 13 million and Gulf would be about 5 million.

10 **CHAIRMAN CARTER:** Okay. Commissioner
11 Skop, and then what we're going to do,
12 Commissioners, we're going to take a break after
13 then because we're kind of dancing in the dark.
14 Commissioner Skop.

15 **COMMISSIONER SKOP:** Thank you, Mr. Chair.
16 I just wanted to touch upon four quick points.

17 First, Commissioner Argenziano's point
18 about the ability to switch out an air conditioner.
19 That's exactly the point I'm trying to make also.

20 Actually GRU, who has a pretty broad-based
21 list of incentives that seem to be available to all
22 ratepayers, actually in a mailer recently had a
23 program where they're actually exchanging window air
24 conditioners for free. You brought your old one in,
25 you took home a new one. It's obviously limited in

1 quantities, but that was something to address that,
2 that very same, I think, common mutual concern that
3 we have.

4 And like I say, all of our other IOUs are
5 doing different programs and some are doing some
6 innovative things that others aren't and vice versa.
7 It might be good, you know, if there were some
8 standardization or what have you, but I know the
9 utilities propose them. And we're in goal setting,
10 not the actual programs now, so I would defer that.
11 But I would recognize that GRU seems to have a
12 broad-based type of, incentive type programs for
13 energy efficiency and conservation.

14 Secondly, to the point of Chairman Carter
15 and Commissioner Argenziano about the incentive and
16 the ability under now the new FEECA to reward or
17 penalize, the problem I'm having with this goes to
18 my opening comment to the extent that if we're
19 setting the goals so low that they can be achieved,
20 then we're inviting somebody to capture a reward and
21 it's somewhat counterproductive. So, again, I'm
22 going to have to think long and hard about where we
23 are in terms of goal setting if there's some
24 incentives involved. Because, again, when you have
25 incentives, the goals need to be robust, not less

1 than what the utilities have proposed in some
2 instances, which is embodied in the staff
3 recommendation. So, again, I have some concerns
4 there.

5 **COMMISSIONER ARGENZIANO:** And I understand
6 your concerns. But if you're not going to move
7 forward at all, then you have to, you have to -- I
8 mean, I think the goals are low here that staff
9 recommended. I don't think they're all we could
10 bring to the table or should be bringing to the
11 table. But in order to get movement, I mean the
12 policymakers said here's a mechanism. And I agree
13 with you, you don't want to be -- that's a lot of
14 money. But -- and we're not -- but we're not even
15 moving.

16 **COMMISSIONER SKOP:** Right. And --

17 **COMMISSIONER ARGENZIANO:** We're not --
18 even with low goals they don't want to look at the
19 rewards.

20 **COMMISSIONER SKOP:** And I think -- no, I
21 do want to look at the rewards and I'm all about
22 carrots, but I'm not going to set the goal so low
23 that, you know, an ant could climb over it.

24 **COMMISSIONER ARGENZIANO:** Right.

25 **COMMISSIONER SKOP:** Again, I think there

1 are some problems there with these goals. And I
2 think the way to deal with that, you know,
3 effectively, at least from my perspective as I said
4 initially, is to send staff back to the drawing
5 board and have them adopt more robust goals
6 consistent with the intent of the Legislature.

7 **COMMISSIONER ARGENZIANO:** I think you
8 missed my point. I wasn't -- I agree with what
9 you're saying. The goals need to be higher. But
10 what I'm saying is even the way it is right now,
11 staff just said the companies weren't interested in
12 those rewards right now and the staff said that's
13 for a later time. So even with the goals being low
14 there's no takers.

15 **COMMISSIONER SKOP:** Right. Right. Right.

16 **COMMISSIONER ARGENZIANO:** You know, and
17 that was the point I was making.

18 **COMMISSIONER SKOP:** I understand. And I
19 think that, again, these, these goals are set and
20 renewed every five years. But, you know, we're
21 setting goals now through 2019, yet we're going to
22 review them five years from now. So, so, again, I'm
23 all for, you know, either -- I prefer the carrot
24 approach, but, you know, as people see, I'm not
25 afraid to get out the stick when it comes to

1 regulation. I don't like to have to do that, but I
2 think that we need to incentivize appropriately but
3 not make it where it's, where the utility has become
4 a free rider getting incentives for doing nothing.

5 But the other two points I want to make
6 briefly, because I know the Chairman wants to break,
7 goes to Commissioner Klement's points. In terms of
8 the dollars for the solar on Page 73, you know, I
9 would even support adopting Mr. Spellman's position
10 about the 10 percent over the staff recommended
11 5 percent. Again, I think that portion of this is
12 somewhat innovative and we do have some flexibility
13 there, assuming that the solar programs be vetted
14 for cost-effectiveness in the, in the proposal phase
15 of this. I know we're in goal setting now. But,
16 again, it's finding that happy balance between
17 promoting those things that are ripe for renewables
18 and energy conservation, but also making sure that
19 there's good value there for the consumers.

20 And that goes to two points that I thought
21 I heard you make when you, when you framed it in
22 terms of, you know, nominal increase, whether it be
23 nine cents or 18 cents, you know, that's just the
24 cost associated with this one item within this
25 entire recommendation. So that's 18 cents or nine

1 cents on top of everything else that flows through
2 the energy conservation cost recovery clause, as
3 well as the other clauses, as well as the fuel
4 clauses, and as well as the proposed increases to
5 base rates. So it does add up quick to where it
6 becomes more than \$5. So this is just a mere
7 portion of that but a very important one.

8 The other point that you had brought up
9 that I thought was a good one was analogizing it in
10 terms of a discretionary expenditure, i.e. the cost
11 of a soda, and I'm fine with that too. There was an
12 item that was deferred, but I want to emphasize that
13 my concern going to your concern on that was that,
14 you know, if I went to the concession stand and I
15 bought a soda and I overpaid for that soda, that
16 wouldn't represent good value as opposed to if I
17 went to the same concession stand and can get a soda
18 and a candy bar for the same amount of money. So
19 it's important to me, although, you know, I'm very
20 supportive of renewables, is establishing that
21 levelized cost as a benchmark to evaluate that we're
22 not overpaying for any given renewable resource.
23 Because I'd hate to, hate to be paying twice as much
24 or ask consumers to pay twice as much for something
25 that they could get for, you know, half the cost if,

1 if a thorough analysis was done.

2 But those are just the points. Again, I
3 think that I'm very supportive of Issue 11 and
4 probably some discussion there. But the goals in
5 Issues 9 and 10, I have some significant
6 reservations. And perhaps, you know, when we come
7 back from break we can talk about what the
8 appropriate action would be. But, you know, my gut
9 tells me perhaps it might be better to defer this.
10 I know we need to set goals by January 1st, but I
11 think we have some adequate time to send staff back
12 to the drawing board to see if some more robust
13 goals that are consistent with the intent of the
14 Legislature could be adopted here. Because, again,
15 I see the goals coming up short. In some instances
16 they're less than what the utility proposed
17 themselves, and to me that's giving me some, some
18 heartburn.

19 **CHAIRMAN CARTER:** Let me, Commissioners
20 and staff, let me give y'all a heads up. Be
21 prepared for some heavy lifting when we come back
22 because we need to fish or cut bait. And so, staff,
23 you've got a couple, I think there's some points
24 that you need to make when we get back with those
25 numbers.

1 **MR. BALLINGER:** Yes. There's one I'm a
2 little concerned -- Commissioner Argenziano, I want
3 to get you the information. I'm not sure if it's in
4 the record in this proceeding, and that's what I've
5 got to check with, and that was our current savings
6 compared to our -- where we are today as far as
7 savings. I don't know if that's in the record.
8 It's, it's available here. I don't know if it's
9 part of this proceeding and I have to check with
10 them. So I wanted to let you know that one.

11 And the other one I can do is calculate
12 from what's in the record staff's goal in terms of
13 number of customers equivalent that it represents
14 versus the Intervenors, and I can give you that to
15 give you some, some relative numbers.

16 **CHAIRMAN CARTER:** Okay. Commissioner.

17 **COMMISSIONER ARGENZIANO:** Okay.

18 Comparison to some other states?

19 **MR. BALLINGER:** Comparisons was in the
20 record. There was an exhibit that I think Witness
21 Spellman had.

22 **COMMISSIONER ARGENZIANO:** I saw that. I'm
23 sorry. I saw that.

24 **MR. BALLINGER:** That's, that's it.

25 **COMMISSIONER ARGENZIANO:** That's it?

1 Okay.

2 **MR. BALLINGER:** Yeah.

3 **COMMISSIONER ARGENZIANO:** All right.

4 **CHAIRMAN CARTER:** But do this though,
5 Commissioners, and I'm prepared to go in whatever
6 direction you wish to go, but let's be prepared to
7 go in a direction when we come back. And, staff,
8 we'll do that.

9 Mark, you were going to ask that question
10 about -- remember the question I asked earlier about
11 the Governor's Energy Office, about those grants?
12 Were you going to answer that?

13 **MR. FUTRELL:** I can do it now or when we
14 come back.

15 **CHAIRMAN CARTER:** Yeah. How about do that
16 now so we can see, Commissioners, just how fast,
17 when the money is appropriated, how fast it goes
18 out. Mark.

19 **MR. FUTRELL:** Yes. As far as their solar
20 rebate program that provided rebates for
21 photovoltaic and solar thermal installations, they
22 were appropriated \$14.4 million beginning July 1st,
23 and the current balance as of yesterday was \$12,000
24 that's left.

25 They also have a couple of other programs,

1 a new program they're starting for appliances, a
2 rebate program they'll be rolling out in the spring
3 that will address some of these concerns you've
4 talked about this morning about trying to reach out
5 and address some areas that are not necessarily
6 covered or accessible by utility customers. We, we
7 can get into that, excuse me, when we come back.

8 **CHAIRMAN CARTER:** Okay. Staff, would you
9 guys -- do you guys need about 15 minutes? Would
10 that give you ample time to be prepared as we go
11 forward? Would that work?

12 Okay. Commissioners, five after we'll be
13 back.

14 (Recess taken.)

15 We are back on the record. And,
16 Commissioners, just kind of for planning purposes,
17 you know, I rarely get hungry, so I had totally
18 forgotten all about lunch. I'm hopeful that we can
19 press on and then take a break after then. But
20 let's, let's kind of go for what we know here and
21 see if lunch will be a reward.

22 Mr. Ballinger.

23 **MR. BALLINGER:** Commissioner Argenziano, I
24 got a couple of answers to your questions. I hope
25 they answer them.

1 The one on the percent of savings that we
2 currently are at, I did a quick calculation based on
3 what's in the record for FPL. I didn't have time to
4 do the other utilities. We had some information.
5 But they're a little over about 4.3 percent of
6 current sales is being met through conservation,
7 which is a significant number.

8 And then I talked about, to kind of give
9 you a perspective of the relative magnitude of
10 goals, and if you look at the goals proposed by SACE
11 for FPL again, of 10,797 gigawatt hours of savings,
12 energy savings, that's kilowatt hours. If you look
13 at an average customer who uses about 1,200 kilowatt
14 hours a month, over a year they'd use about 14,400
15 kilowatt hours. So that goal of 10,797 gigawatt
16 hours represents roughly the energy equivalent of
17 750,000 residential customers, which is about
18 20 percent of FPL's current customer base. So that
19 goal would basically wipe out 20 percent of FPL's
20 residential customers in ten years, to give you a
21 perspective.

22 Staff's number of 1,549 gigawatt hours
23 comes to about 107,000 equivalent residential
24 customers or about 2.7 percent reduction in customer
25 base. And that's -- be careful with that number.

1 It's a, it's trying to give you just relative. It's
2 not an absolute. So I hope that helped.

3 **COMMISSIONER ARGENZIANO:** Got it. Thank
4 you.

5 **MR. TRAPP:** Chairman Carter, if I might be
6 allowed --

7 **CHAIRMAN CARTER:** Hey, Bob Trapp. Good
8 morning. Good afternoon. You're recognized.

9 **MR. TRAPP:** I'd like to respond to all
10 that we've heard here this morning.

11 **CHAIRMAN CARTER:** Okay.

12 **MR. TRAPP:** And in particular the
13 challenge for staff to come up with something unique
14 and different in hopes that this might bring the
15 discussion back to what we're here for, which is to
16 set goals, recognizing that that's only the first
17 step. After goals we have to establish programs,
18 and the programs is where the rubber really meets
19 the road. That's where the money comes to play.
20 That's when you'll know how much you're going to
21 have to spend to achieve, you know, the aspirations
22 that we've heard here today with respect to low
23 income customers, with respect to subsidies, with
24 respect to commercial versus residential and with
25 respect to free riders. So before I give you the

1 grand idea, I want to preface it with one other
2 thought, and that's it occurs to me the discussion
3 this morning has not been about the
4 cost-effectiveness of conservation goals and
5 programs. It more has been to the point of subsidy,
6 rate equity, balance, fairness with respect to
7 individual customers, groups of customers by class
8 and in personal responsibilities, things of that
9 nature. We're really here discussing what goal
10 level should be set that takes into consideration
11 fairness for as many as possible and equity in the
12 goal setting process.

13 And so with that in mind, here's the grand
14 idea. In the past we've set single goals for
15 demand, summer, winter and energy goals, and we've
16 expected those goals to be met. Fortunately they
17 for the most part have been.

18 I would start with that. And taking into
19 consideration some of the comments we've heard
20 today, I would propose, if you believe that carbon
21 considers consideration in this, I would propose
22 that you establish a baseline hard-wired, this is
23 it, guys, goal of E-RIM. That's your baseline.
24 Now, remember, the RIM test is the all-winners test.
25 Everybody wins under RIM. There's no

1 cross-subsidization that goes on. That's our
2 baseline. But we want to see if we can go beyond
3 that to address some of these other concerns that
4 we've heard today. So let's think about two other
5 tiers to the goal setting process. You got your
6 base, E-RIM. Let's think about going to TRC as the
7 first level of what I will call aspirational goals
8 at this point for lack of a better word. That would
9 be the second tier.

10 What programs do we think we can afford
11 that pass the TRC test that minimize the
12 subsidization that might occur?

13 Then let's go to the next tier. I would
14 propose the next tier to be basically the -- I'm not
15 sure what color that is, but it's kind of pink,
16 pinky orange -- the FSC line on your charts. That's
17 the one that includes some element of free riders.
18 And, again, I would call those more aspirational
19 goals, and have the Commission say what programs
20 make sense to address the issue of, well, people
21 don't want to accept light bulbs. Let's see if we
22 can get them to accept light bulbs and let's call
23 that the third tier of our aspirational goals.

24 Now I think what that does for you is we
25 know based on the technical potential study and the

1 economic potential study that was done that, and if
2 you believe in the carbon assumptions, that E-RIM is
3 our base. And we know that we've got existing
4 programs out there that can meet E-RIM. What we
5 don't know is what, what these air conditioner
6 replacement programs, these light bulb programs,
7 these, you know, residential supporting commercial
8 type programs, what we don't know is what that's
9 going to cost us. So let's go to the next step of
10 this process, which is program development, and
11 challenge the utilities to come in with programs
12 that will address all of those concerns, that will
13 price out what it will cost to get there, and let's
14 have the Commission have a menu of programs above
15 RIM that meet the TRC and the free rider caps to
16 select from.

17 So in program development you would select
18 then how much, how many soda cans you're going to
19 buy basically, how much are you willing to spend to
20 get to air conditioning replacement, light bulb
21 replacement, that type of thing, and that's the
22 grand idea in a nutshell.

23 **CHAIRMAN CARTER:** Commissioner Skop.

24 **COMMISSIONER SKOP:** Thank you, Mr. Chair.

25 I hear that, but also it seems as if that

1 mixes goals with, with program development, and at
2 least for me, you know, this exercise is supposed to
3 be about goal setting.

4 Again, we sat through a lengthy
5 proceeding, heard days of testimony from the
6 Intervenors as well as the utilities. The proposed
7 goals that staff has adopted in the staff
8 recommendation seem to be based in the most part on
9 the E-RIM methodology that the utilities advocated.
10 At least from my perspective I don't want to lock
11 myself into an E-RIM test when there may be
12 opportunities on a case-by-case basis to consider a
13 TRC or to consider something that would constitute a
14 waiver to a two-year payback period to capture some
15 achievable potential when it might benefit low
16 income or senior citizen members on a case-by-case
17 basis.

18 So I'm going to take a stab at this and,
19 you know, like I say, we talked about it, but I
20 would make a motion to defer this item with
21 direction to staff to adopt more robust goals
22 consistent with the intent of the Legislature for
23 energy and conservation, I mean, energy efficiency
24 and conservation, with specific direction to staff
25 to take a critical look at Issues 9 and 10 as it

1 pertains to adopting goals that are less than those
2 proposed by the utility.

3 Issue 2, looking at the achievable
4 potential in relation to a two-year payback period,
5 I know that could be done mainly in a program
6 development phase, but I don't think it should be a
7 complete, absolute bar to things that might benefit
8 the wide base of ratepayers, including those low
9 income or senior citizens that otherwise would be
10 denied the opportunity to, or have the means to
11 implement some of those changes.

12 And as to Issue 11, taking a critical look
13 as to whether the 5 percent as recommended by staff
14 is the best practice as opposed to the 10 percent by
15 Witness Spellman in terms of the, looking at the
16 solar PV and solar thermal options.

17 **COMMISSIONER ARGENZIANO:** Second.

18 **CHAIRMAN CARTER:** It's been moved and
19 properly seconded.

20 Now, staff, do this one favor for me. Now
21 we have two agendas set in December. Those dates,
22 please.

23 **MS. FLEMING:** December 1st and
24 December 15th.

25 **CHAIRMAN CARTER:** Do you think you'll have

1 it ready for the 1st?

2 **MS. FLEMING:** Commissioners, I think at
3 this junction I think we would have to have it ready
4 by December 1st.

5 **CHAIRMAN CARTER:** Because we've got --

6 **MS. FLEMING:** I have serious concerns with
7 pushing this item past to the December 15th Agenda
8 Conference. And I would allow Mr. Ballinger to --

9 **CHAIRMAN CARTER:** Go ahead.

10 **MR. BALLINGER:** If I could ask some, some
11 clarification because I think the charts before you
12 show you what's in the record as those goals
13 proposed by all the parties in the case. If staff
14 is being asked to go and pull bits and pieces from
15 ones, I'm not sure, one, if we can do that in that
16 amount of time, especially with the two-year
17 payback. Are you asking us to look at, let's say
18 there's 200 measures, to identify 50 of them that
19 should be included in our goal, something of that --
20 I'm just --

21 **COMMISSIONER SKOP:** No. What I'm asking
22 for -- again, that would stem on a case-by-case
23 basis in the, in the program development phase. But
24 what I see is an absolute bar to the two-year
25 payback period free riders that would completely

1 decimate the majority of the achievable potential
2 that's identified I believe on Page 15. And so it
3 seems to me, instead of an absolute no, you know,
4 perhaps a better approach would be that we would be
5 willing to look at something critically on a
6 case-by-case basis as to what might provide the
7 best, most cost-effective alternative for
8 implementing things that could help advance the
9 energy conservation and efficiency goals in terms of
10 providing savings from energy consumption or
11 efficiency and things like that, not specific
12 programs.

13 But what I see here is just there's a
14 two-year bar, a two-year payback bar. We're not
15 going to look at anything that has free riders. We
16 completely shut that down. And if you look at
17 Column D on Page 15, the percent excluded due to the
18 two-year screen is like 80 percent in most cases of
19 any achievable potential. So it seems to me very
20 severe.

21 Like, you know, for instance, if you
22 wanted to put a compact fluorescent bulb or some
23 other program or even something as analogous to what
24 GRU did with exchanging window air conditioners on a
25 very limited basis, you bring your old one, we'll

1 give you a new one, no cost to you type of thing,
2 you know, certainly those programs could be
3 considered in the program stage on a case-by-case
4 basis to try and make -- I guess what I see is the
5 general body of ratepayers are paying for these type
6 programs but not the entire body of ratepayers is
7 able to avail themselves. So in terms of maybe an
8 equitable distribution between those who are being
9 asked to pay it and who gets the benefits.

10 I'm not saying that it should be, you
11 know, social things should come in. But I'm saying
12 that, you know, I'm willing to look at a program
13 that has potential on a case-by-case basis,
14 irrespective of what test is used, as long as it
15 makes sense and as long as it doesn't drive rates
16 through the roof. I don't think that we should
17 leave any stone unturned in terms of looking at
18 something that makes sense, whether it be, you know,
19 compact fluorescent light bulbs or other programs.
20 But that's later. Where we're at now is goal
21 setting, and what I'm telling you directly is I
22 believe your goals are too low.

23 **MR. BALLINGER:** I understand.

24 **COMMISSIONER SKOP:** I think they need to
25 be more robust.

1 **MR. BALLINGER:** And I think you, I think
2 you could pick in instances where they were below
3 the utility's goals, you could pick the utility
4 either ERIM or ETRC goal. That's perfectly fine and
5 within the record and you can do that today.

6 I was questioning the part about looking
7 at the two-year payback, of how to include part of
8 that in my goals. If you want to include two-year
9 paybacks as part of the goals, then you would pick
10 the numbers proposed by GDS or FRC and that's --

11 **COMMISSIONER SKOP:** I'm not saying pick
12 the numbers at the high end again which would have
13 substantial rate impacts. But what I am saying is
14 that, you know, staff has adopted a position which,
15 I'm going to be blunt, which seems to align, from
16 everything I heard, with what the utilities wanted.
17 And, you know, I think that we can do better. We
18 can set more aggressive goals. These are just
19 goals.

20 And I see heads shaking from staff there,
21 and I'm not happy about that. So please don't let
22 me see that again, because I'm a Commissioner and
23 I'm entitled to state my opinion for the record as
24 an appointed state official. So I'm not going to
25 take kindly to that. And, Dr. Bane, I would expect

1 you to talk to staff. That's inappropriate.

2 So let me get on point. Again, I think we
3 can do better as a Commission. I think from staff's
4 perspective we can do a little bit better. I'm not
5 asking you to reinvent the wheel. I'm asking you to
6 take a critical look at what's going on and try and
7 set the numbers on something that's a little bit
8 more robust. Again, these are goals, they're not
9 mandates, and, you know, we should be looking at
10 stretch goals giving effect to the legislative
11 intent, being ever diligent on cost-effectiveness.

12 But I do see instances where staff has
13 adopted a position less than what the utility asked
14 for to begin with, which completely undermines the
15 intent of moving forward, as Commissioner Argenziano
16 said.

17 **MR. BALLINGER:** And I would --

18 **CHAIRMAN CARTER:** Hang on a second.

19 **MR. TRAPP:** Chairman Carter? Chairman
20 Carter, if I may.

21 **CHAIRMAN CARTER:** Mr. Trapp.

22 **MR. TRAPP:** What I'm hearing is I think
23 the Commission is asking for alternatives, and staff
24 is happy to provide another look at this record and
25 to provide reasonable defensible alternatives. But

1 I would remind you that you're the Commissioners.
2 You vote. We don't. All we can do is provide you
3 with our, our best assessment of alternatives that
4 may be in the record, and we will be more than happy
5 to go back and try to do that.

6 **CHAIRMAN CARTER:** Okay. Commissioner
7 Argenziano.

8 **COMMISSIONER ARGENZIANO:** You know, when
9 you, when you look at the statutes and basically the
10 emphasis is on cost-effectiveness, and I can
11 understand the staff, because in our recent
12 discussions on many hearings we're very concerned
13 with the impact on, on the consumers, and I can
14 understand that. And we may get to some point that
15 the message may have to be to the Legislature, you
16 guys are going to have to make some policy
17 decisions. Instead of dumping it on the PSC and
18 saying here's where we want to go but we want to
19 keep you restrained to very much cost-effectiveness
20 where you can never get there, okay, that's what I
21 see as a past legislator. If you're not willing as
22 the policymakers to say, okay, you have to go a
23 little further, then you can't ask the PSC to make
24 the tough decisions and actually get there.

25 I agree with Commissioner Skop that the

1 goals are too low. In my opinion they're just not,
2 they're not high enough. But I can understand
3 staff's trying to look at the statutes. When you
4 read it, it says, you know, cost-effectiveness,
5 cost-effectiveness. It may have to be that the
6 Legislature says -- we have to let the Legislature
7 know that, you know, here you are saying we need to
8 get to these conservation goals, but you restricted
9 us because when you have cost-effectiveness as the
10 only or the main driving factor, you may not ever be
11 able to get there. So that may be done -- that may
12 have to be changed at the legislative area.

13 And in the meantime I do agree with
14 Commissioner Skop that the goals are too low,
15 understanding what staff had to, had to look at.

16 Now if we can get there and try to get
17 those goals beefed up, and then with the, I guess
18 the understanding that the Legislature wants us to
19 look at cost-effectiveness, well, let's look at some
20 of those other ways, alternatives and see what the
21 costs are. Let's give it a shot. I agree with
22 Commissioner Skop that let's try to look at
23 everything and then look at the cost-effectiveness.
24 And then the result may be to the Legislature that,
25 you know, if cost-effectiveness is the primary

1 driving goal, and the media out there needs to
2 understand that if that's the legislative intent
3 that cost-effectiveness is the driving or the
4 motivating goal, then our hands are tied.

5 **COMMISSIONER SKOP:** Mr. Chair.

6 **CHAIRMAN CARTER:** Okay. One second,
7 Commissioner. I'll come back to you in a second.

8 I wanted to, I wanted to make sure, first
9 of all, before any further discussion, staff, are
10 you clear on the spirit of the motion? I just want
11 to make sure.

12 **MR. TRAPP:** Yes, sir.

13 **CHAIRMAN CARTER:** Okay. Good. Good.

14 Now, Commissioner Skop, question?

15 **COMMISSIONER SKOP:** Thank you, Mr. Chair.

16 And just to staff, again, I appreciate the
17 hard work and the tensions and the challenges staff
18 has faced, as Commissioner Argenziano mentioned,
19 between balancing between making something
20 cost-effective and trying to further the goals of
21 the Legislature.

22 I guess in a nutshell what I'm trying to
23 say is that I do feel the goals could be made more
24 robust. I think there's some opportunity there,
25 some low-hanging fruit in Issues 9 and 10, Issues

1 2 and Issues 11 as just some specific guidance. But
2 I think the takeaway is that what I see within the
3 staff recommendation, and maybe staff can take a
4 look at that, is an absolute bar as it pertains to
5 free riders in a two-year payback and also a glowing
6 endorsement of the utility proposed E-RIM test. And
7 I'm not so sure that on every individual case I want
8 to be bound to an E-RIM standard.

9 Again, Mr. Trapp's suggestion that TRC may
10 be appropriate on a case-by-case basis on certain
11 select programs, I want that flexibility at least
12 from my perspective as a Commissioner. I don't want
13 to have my hands tied by adopting something that's
14 been embraced by the utilities. I want to give,
15 adopt something that has flexibility where we can
16 look on an individual basis and program development
17 and say this is a good idea. Yeah, it costs a
18 little bit more, but we have some flexibility here
19 because we have other E-RIM or RIM type programs
20 also in place. And hopefully in the aggregate it
21 balances out to where you're achieving more, but at
22 the same hopefully constant cost without, you know,
23 driving costs higher unnecessarily.

24 Because, again, cost considerations are
25 equally important, and I'm trying to strike that

1 fine balance between moving the Commission ahead and
2 embracing the intent of the Legislature as it
3 pertains to energy efficiency and conservation, but
4 also trying to keep rates somewhat stable.

5 So, again, I appreciate the hard work and
6 tension, but, again, I think we need to look at
7 setting more robust goals. Thank you.

8 **CHAIRMAN CARTER:** Thank you. And, staff,
9 I mean continue to do the good work. But the bottom
10 line, Commissioners, is that the buck stops here at
11 the bench. Staff can make all the recommendations
12 they want, but the buck stops here. We're going to
13 have to cut the Gordian Knot. But I do believe that
14 staff is comfortable in terms of what we've asked
15 them to do, and they can bring that back to us as we
16 proceed further.

17 Commissioners -- Commissioner Edgar,
18 you're recognized.

19 **COMMISSIONER EDGAR:** Thank you. Just a
20 procedural question to staff, if I may, Mr.
21 Chairman.

22 Realizing that this is, as has been
23 pointed out, just one step in a larger process and
24 that the utilities will be required to submit
25 proposed programs and there will be a staff review

1 and there will be another discussion, can you walk
2 me through the timeline from, say,
3 January 1 forward, for instance?

4 **MR. BALLINGER:** Yes, ma'am. Our rules say
5 that 90 days from establishing goals, I would
6 presume that would be 90 days from the final order
7 adopting goals, utilities file new programs to meet
8 those goals. Staff intends to bring those programs
9 back to you as PAA items, so not have a hearing, but
10 that would take, you know, a couple of months to go
11 through. So you're looking at, if this goes
12 December 1, you get an order out end of December,
13 let's say January 1 the order is effective. 90 days
14 from that, so you're looking at March. As far as
15 filing the programs you're talking probably May I'm
16 guessing.

17 **COMMISSIONER EDGAR:** As an item on a, as
18 you said, an item as a PAA on a regularly scheduled
19 Agenda Conference, is that what we're talking about?

20 **MR. BALLINGER:** Right. Yes. And I think
21 it would be staff's intent to bring all seven
22 program approvals to you at one time, kind of
23 en masse.

24 **COMMISSIONER EDGAR:** Thank you.

25 **CHAIRMAN CARTER:** Good. Commissioners,

1 we're in debate. We have a motion and a second on
2 the, on the floor. We're in debate. Any further
3 debate? Any questions? Any discussion? Hearing
4 none, all in favor of the motion, let it be known by
5 the sign of aye.

6 (Simultaneous vote.)

7 All those opposed, like sign. Show it
8 done.

9 Commissioners, I'm going to let staff go
10 ahead and have a lunch break. And then we'll pick
11 up, we'll pick up Internal Affairs at, I'm looking
12 at probably 2:40.

13 (Proceeding adjourned.)
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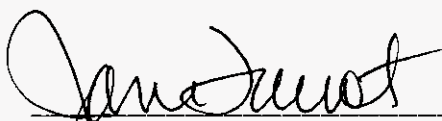
COUNTY OF LEON)

WE, JANE FAUROT, RPR, and LINDA BOLES, RPR, CRR, Official Commission Reporters, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

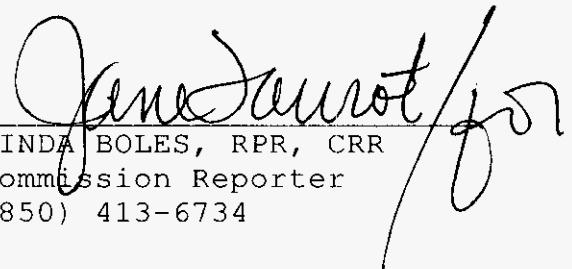
IT IS FURTHER CERTIFIED that we stenographically reported the said proceedings; that the same has been transcribed under our direct supervision; and that this transcript constitutes a true transcription of our notes of said proceedings.

WE FURTHER CERTIFY that we are not a relative, employee, attorney or counsel of any of the parties, nor are we a relative or employee of any of the parties' attorneys or counsel connected with the action, nor are we financially interested in the action.

DATED THIS 20th DAY OF NOVEMBER, 2009.



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