State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: November 1, 2013

TO: Office of Commission Clerk (Cole)

FROM: Division of Engineering (Buys, Ellis, Graves)
Office of the General Counsel (Corbari, Murphy)

RE: Docket No. 130204-EM – Commission review of numeric conservation goals (Orlando Utilities Commission).

Docket No. 130205-EI – Commission review of numeric conservation goals (Florida Public Utilities Company).

AGENDA: 11/14/13 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brisé

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ENG\WP\130204.RCM.DOC

Case Background

The Florida Energy Efficiency and Conservation Act (FEECA), specifically Section 366.82, Florida Statutes (F.S.), requires the Commission to adopt goals to increase the efficiency of energy consumption, increase the development of demand-side renewable energy systems, reduce and control the growth rates of electric consumption and weather-sensitive peak demand, and encourage development of demand-side renewable energy resources.[1] Pursuant to Section

[1] FEECA consists of Sections 366.80 through 366.85, F.S., and Section 403.519, F.S.

366.82(6), F.S., the Commission must review the conservation goals of each utility subject to FEECA not less than every five years. The seven utilities subject to FEECA are Florida Power & Light Company (FPL), Duke Energy Florida, Inc. (DEF), Tampa Electric Company (TECO), Gulf Power Company (Gulf), Florida Public Utilities Company (FPUC), Orlando Utilities Commission (OUC), and JEA (referred to collectively as the FEECA Utilities). DSM goals were last established for the FEECA utilities in December 2009 (Docket Nos. 080407-EG through 080413-EG). Therefore, new goals must be established by December 2014.

In preparation for the new goals proceeding, staff conducted a meeting with the utilities and interested parties to discuss the numeric goals proceeding. The parties agreed that the Technical Potential Study used in the previous goal proceeding should be updated by each utility. The Commission opened a docket for each FEECA Utility on July 26, 2013.[2] By Order No. PSC-13-0386-PCO-EU, issued August 19, 2013, these dockets were consolidated for purposes of hearing, controlling dates were established, and minimum testimony requirements were established.

On August 23, 2013, FPUC filed a petition to establish its numeric goals using a proxy methodology and to waive the filing requirements of Order PSC-13-0386-PCO-EU.

On August 28, 2013, OUC filed a petition for temporary waiver of Rules 25-17.0021(2) and (3), Florida Administrative Code (F.A.C.), and stipulation to conservation goals. On October 2, 2013, OUC withdrew its petition for a rules waiver and filed a petition to establish its numeric goals using a proxy methodology similar to FPUC.

The Commission has jurisdiction over this matter pursuant to Sections 366.80 through 366.82, F.S.

[2] See Docket Nos. 130199-EI through 130205-EI.

Discussion of Issues

Issue 1: Should the Commission grant FPUC's request for a proxy methodology to establish annual numeric conservation goals?

Recommendation: Staff recommends that FPUC's petition be approved in part and denied in part. FPUC should be approved to use Gulf as a single proxy utility. This will result in savings for FPUC's ratepayers while allowing the Commission to establish reasonable goals. An example of this methodology is included as Attachment A. In addition, FPUC should be excused from the filing and participation requirements of Order PSC-13-0386-PCO-EU. FPUC should be required to file annual numeric conservation goals based on the proxy methodology within 10 days of a Final Order establishing goals being issued in Docket No. 130202-EG (Gulf). Any non-numeric goals the Commission may elect to establish for the investor-owned utilities under FEECA should also apply to FPUC. The Commission should provide staff administrative authority to validate the calculation of the conservation goals and require FPUC to file its demand side management plan within 90 days of the Final Order establishing goals for the proxy, Gulf. (Ellis, Graves)

Staff Analysis: The Commission issued Order PSC-13-0386-PCO-EU, on August 19, 2013, to consolidate Docket Nos. 130199-EG through 130205-EG for purposes of hearing, to establish controlling dates, and set minimum requirements for information to be included in testimony due April 2, 2014. As part of its testimony requirements each FEECA Utility will describe its update to the 2009 Technical Potential Study and perform a series of analyses based on the updated study. These analyses are intended to provide the Commission with additional information and options when determining the annual numeric conservation goals for residential and commercial seasonal demand reduction and annual energy savings.

In its petition, FPUC seeks Commission approval of its 2014 annual numeric conservation goals based on a proxy methodology and for the Commission to excuse FPUC from filing testimony and participating in the FEECA goal setting hearing as required by Order PSC-13-0386-PCO-EG.

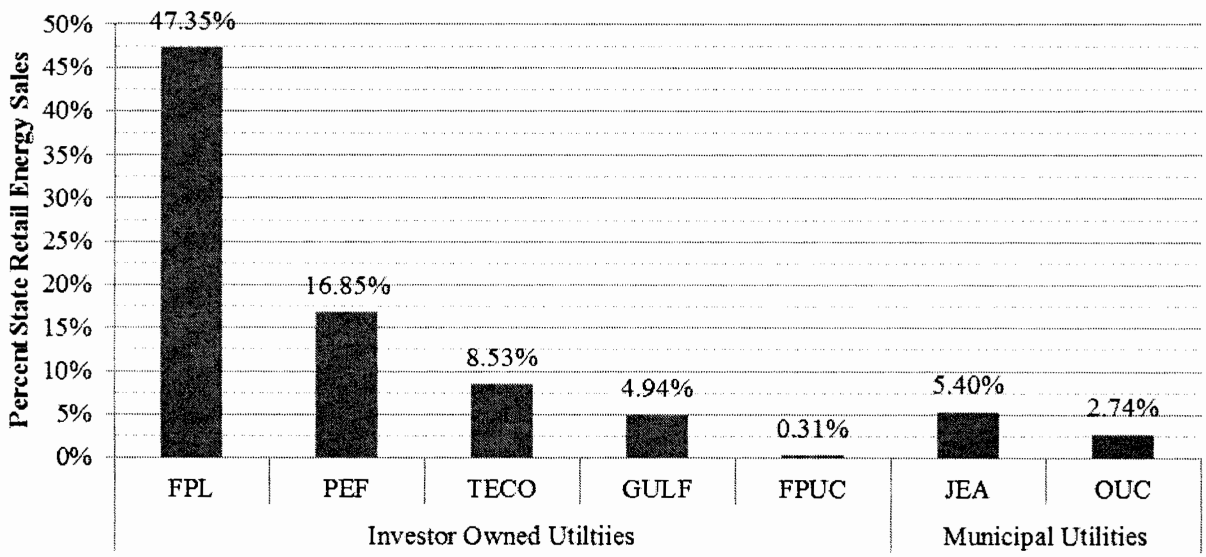
Proxy Methodology

FPUC proposes the adoption of a proxy methodology using the goals to be established by the Commission in 2014 for Gulf Power Company (Gulf), for its Northwest Division (Marianna), and Florida Power & Light Company (FPL), for its Northeast Division (Fernandina Beach). For the initial five year period (2015 through 2019), a percentage comparison would be made between the proxy's existing 2009 goals and the goals that will be established as a result of the 2014 FEECA proceeding for each proxy and then averaged. The average percentage difference would be multiplied by FPUC's existing goals to determine its annual numeric conservation goal for the years 2015 through 2019. For the remaining five year period (2020 through 2024), the values would be based on the average growth rate in annual goals for the proxy utilities. FPUC presents this methodology in Exhibit A of its petition, which was revised by FPUC in a data response to correct a mathematical error. Using the formulas discussed above, FPUC has requested to file its annual numeric conservation goals within 10 days of the Final Orders being issued for both proxy utilities.

Reasons for Request

In its petition, FPUC states that the costs associated with updating the 2009 Technical Potential Study, performing the subsequent analyses required by Order PSC-13-0386-PCO-EU, and putting on testimony in support of this analysis would represent a hardship to FPUC and its ratepayers. FPUC states that it would face similar costs to update the 2009 Technical Potential Study as the other FEECA Utilities, but that due to FPUC's small size, updating the study would represent an unreasonable burden on its ratepayers. Figure 1 below illustrates the difference in size between the FEECA Utilities, as a percentage of the state's 2012 retail energy sales.

Figure 1: Percent of 2012 Retail Sales to Ultimate Customers by FEECA Utilities



FPUC estimates that it would cost approximately \$300,000 to \$400,000 to comply with the goal-setting process outlined in the Commission's Order. This cost would ultimately be borne by FPUC's ratepayers through the Energy Conservation Cost Recovery Clause, where it would represent approximately \$0.46 to \$0.61 per 1,000 kilowatt-hour (kWh) customer bills.

Reasonableness of Proxy Methodology

FPUC states that the factors which would affect the amount of conservation in its service territory, such as fuel costs, load growth, changes to building codes and standards, and potential new conservation measures, would equally impact its chosen proxy utilities of Gulf and FPL. FPUC notes that both Gulf and FPL have service territory within close proximity to FPUC's Northwest and Northeast divisions, respectively.

Staff considered the appropriateness of FPUC's selected proxies, and whether another combination would be a more accurate representation of FPUC's service territory. Staff agrees that generation costs, including fuel costs, are an important factor to consider when determining a proxy utility. Overall, the effects of changes to building codes and appliance standards will vary for the FEECA Utilities based upon each utility's geography, which determines both its climate and customer base.

FPUC is not a generating utility and, as noted previously, has two service territories which purchase power from different generating utilities. The Northwest Division (Marianna) purchases power from Gulf and the Northeast Division (Fernandina Beach) purchases power from JEA. While the territory is physically separated, the FEECA goal-setting proceeding establishes a single set of annual goals for FPUC.

Gulf is similarly situated to FPUC geographically. JEA, while also a power supplier that is geographically close to FPUC's Northeast Division, is a municipal utility whose 2009 FEECA goals, unlike the investor-owned utilities, were set based on a continuation of existing programs. As a result, staff does not recommend that JEA would be suitable as a proxy for FPUC. FPUC's petition includes FPL as a proxy utility, based on its providing service near FPUC's Northeast Division. However, FPL's service territory is more heavily focused in South Florida. Staff does not consider FPL a good proxy as a result.

Regarding the other FEECA Utilities, Staff does not contemplate that any would make a better proxy for FPUC than Gulf alone. As a result of this analysis, Staff would recommend the selection of Gulf as the sole proxy utility, with the proxy methodology discussed previously modified to reflect a single utility, instead of an averaging of two. An example of this methodology is included as Attachment A. Staff requests administrative authority to validate the calculations to be performed and submitted by FPUC within 10 days of a Final Order establishing goals for its proxy utility.

Non-Numeric Goals

During the 2009 FEECA Goal-setting proceeding, the Commission found that the then-recent amendments to Section 366.82(2), Florida Statutes (F.S.), required the establishment of goals for demand-side renewable energy systems. To implement this, the Commission directed the investor-owned utilities to file pilot solar water heating and solar photovoltaic programs and set expenditures at 10 percent of the average annual recovery through the ECCR Clause for the previous 5 years. As a result, the Commission approved annual expenses for FPUC for its renewable pilot program in the amount of $47,233. Regarding these non-numeric conservation goals, FPUC requests in its petition that it continue its current solar program established during the 2009 FEECA goal-setting proceeding with no changes until the next FEECA goal-setting proceeding. If FPUC is allowed to use a proxy utility for goal setting purposes and excusal from the proceedings, such a proxy should be for all purposes. Therefore, staff recommends that this portion of the petition be denied, and that any modifications or updates to this non-numeric goal made by the Commission for the proxy utility would also apply to FPUC.

Excusal from Participation

In addition to waiving requirements for testimony and submission of an updated Technical Potential Study, FPUC is requesting excusal from the rest of the 2014 FEECA goal-setting process. As a result of this excusal, FPUC would not participate and would not be subject to discovery by parties. Staff recommends approval of this portion of FPUC's petition, noting that a full hearing will be held for Gulf, its proxy utility, so any policy decisions made by the Commission would flow through to FPUC. Staff recommends that FPUC be required to submit for approval its demand side management plan, as required by Rule 25-17.0021(4), F.A.C., within 90 days of the Final Order establishing goals for its proxy utility, Gulf.

Conclusion

Staff recommends that FPUC's petition be approved in part and denied in part. FPUC should be approved to use Gulf as a single proxy utility. This will result in savings for FPUC's ratepayers while allowing the Commission to establish reasonable goals. An example of this methodology is included as Attachment A. In addition, FPUC should be excused from the filing and participation requirements of Order PSC-13-0386-PCO-EU. FPUC should be required to file annual numeric conservation goals based on the proxy methodology within 10 days of a Final Order establishing goals being issued in Docket No. 130202-EG (Gulf). Any non-numeric goals the Commission may elect to establish for the investor-owned utilities under FEECA should also apply to FPUC. The Commission should provide staff administrative authority to validate the calculation of the conservation goals and require FPUC to file its demand side management plan within 90 days of the Final Order establishing goals for the proxy, Gulf.

Issue 2: Should the Commission grant OUC's request for a proxy methodology to establish annual numeric conservation goals?

Recommendation: Staff recommends that OUC's petition be approved in part and denied in part. OUC should be approved to use TECO as a proxy utility. This will result in savings for OUC's ratepayers while allowing the Commission to establish reasonable goals. An example of this methodology is included as Attachment B. OUC should be excused from the filing and participation requirements of Order PSC-13-0386-PCO-EU. In addition, OUC should be required to file annual numeric conservation goals based on the proxy methodology within 10 days of a Final Order establishing goals being issued in Docket No. 130201-EI (TECO). The Commission should provide staff administrative authority to validate the calculation of the conservation goals and require OUC to file its demand side management plan within 90 days of the Final Order establishing goals for its proxy, TECO.

Because OUC is not an investor-owned utility, no non-numeric goals were established for them in the 2009 goals proceeding. However, should the Commission elect to establish non-numeric goals for the municipal utilities subject to FEECA in the 2014 goals proceeding, Staff recommends that OUC should also be required to meet those goals. (Buys, Ellis)

Staff Analysis: The Commission issued Order PSC-13-0386-PCO-EU, on August 19, 2013, to consolidate Docket Nos. 130199-EG through 130205-EG for purposes of hearing, to establish controlling dates, and set minimum requirements for information to be included in testimony due April 2, 2014. As part of its testimony requirements each FEECA Utility will describe its update to the 2009 Technical Potential Study and perform a series of analyses based on the updated study. These analyses are intended to provide the Commission with additional information and options when determining the annual numeric conservation goals for residential and commercial seasonal demand reduction and annual energy savings.

In its petition, OUC seeks Commission approval of its 2014 annual numeric conservation goals based on a proxy methodology and for the Commission to excuse OUC from filing testimony and participating in the FEECA goal setting hearing as required by Order PSC-13-0386-PCO-EG.

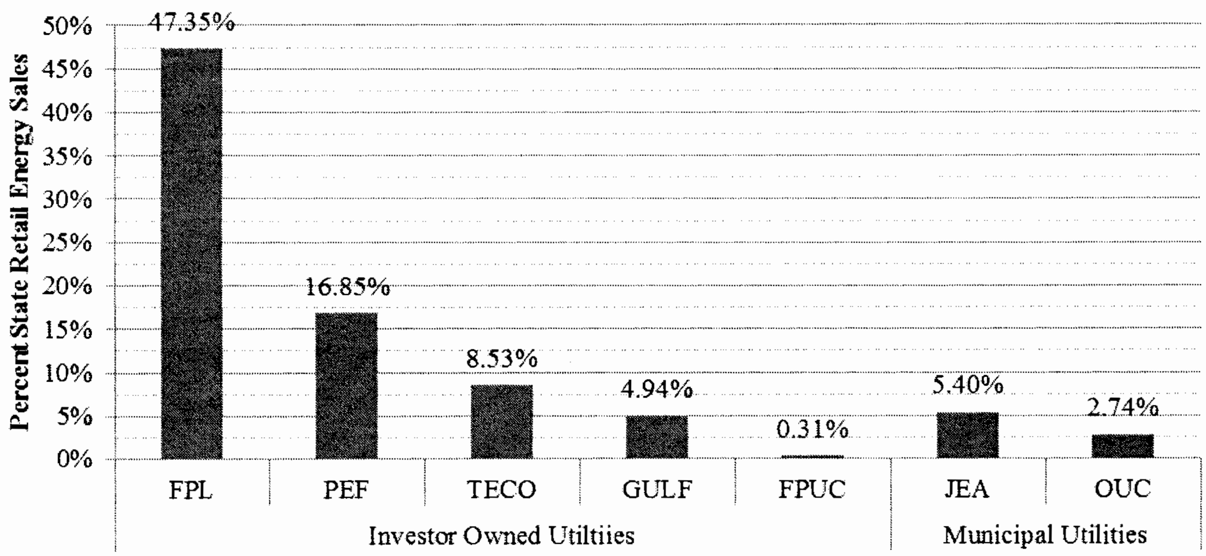
Proxy Methodology

OUC proposes the adoption of a proxy methodology using the goals to be established by the Commission in 2014 for Tampa Electric Company's (TECO). For the initial five year period (2015 through 2019), a percentage comparison would be made between the proxy's existing 2009 goals and the goals that will be established for the proxy as a result of the 2014 FEECA proceeding. The percentage difference would be multiplied by OUC's existing goals to determine OUC's annual numeric conservation goal for the years 2015 through 2019. For the remaining five year period (2020 through 2024), the values would be based on the average growth rate in annual goals of the proxy utility. OUC presents this methodology in Exhibit A of its petition, which was revised by OUC in a data response to correct a mathematical error. Using the formulas discussed above, OUC has requested to file its annual numeric conservation goals within 30 days of the Final Order being issued for TECO.

Reasons for Request

In its petition, OUC states that the costs associated with updating the 2009 Technical Potential Study, performing the subsequent analyses required by Order PSC-13-0386-PCO-EU, and putting on testimony in support of this analysis would represent a hardship to OUC and its ratepayers. OUC states that it would face similar costs to update the 2009 Technical Potential Study as the other FEECA Utilities, but that due to OUC's small size, the second smallest of the FEECA Utilities, updating the study would represent an unreasonable burden on its ratepayers. Figure 2 below illustrates the difference in size between the FEECA Utilities, as a percentage of the state's 2012 retail energy sales.

Figure 2: Percent of 2012 Retail Sales to Ultimate Customers by FEECA Utilities



OUC estimates that it would cost approximately $400,000 to comply with the goal-setting process outlined in the Commission's Order. As OUC is not rate-regulated by the Commission, the recovery of costs associated with the goal-setting process would not be reviewed by the Commission

Reasonableness of Proxy Methodology

In the 2009 proceeding, OUC's conservation goals were based on a continuation of existing programs, unlike the investor-owned utilities. For the 2014 proceeding, OUC's petition would establish goals using a proxy methodology. The reasonableness of the proxy methodology is based on the similarities between OUC and TECO, its selected proxy utility. Staff has reviewed the selection of TECO as a proxy for the OUC service territory. Overall, TECO is in close proximity to OUC's service territory and could reasonably be considered to be similar in terms of customer base and climate.

OUC states that factors which would affect the amount of conservation in its service territory, such as fuel costs, load growth, changes to building codes and standards, and potential new conservation measures, would also affect TECO. Staff agrees with this analysis, as the Commission would consider the factors outlined above when establishing the annual numeric conservation goals for TECO.

Staff requests administrative authority to validate the calculations to be performed and submitted by OUC within ten days of a Final Order establishing goals for TECO, the proxy utility. While the petition requests a period of 30 days, given the ease of the calculation, a 10 day period should not be burdensome to OUC.

Non-Numeric Goals

During the 2009 FEECA Goal-setting proceeding, the Commission found that the then-recent amendments to Section 366.82(2), Florida Statutes (F.S.), required the establishment of goals for demand-side renewable energy systems. To implement this, the Commission directed the investor-owned utilities to file pilot solar water heating and solar photovoltaic programs and set expenditures at 10 percent of the average annual recovery through the ECCR Clause for the previous 5 years. Because OUC is not an investor-owned utility, no non-numeric goals were established for them. However, should the Commission elect to establish non-numeric goals for the municipal utilities subject to FEECA in the 2014 goals proceeding, Staff recommends that OUC should also be required to meet those goals.

Excusal from Participation

In addition to waiving requirements for testimony and submission of an updated Technical Potential Study, OUC is requesting excusal from the rest of the 2014 FEECA goal-setting process. As a result of this excusal, OUC would not participate and would not be subject to discovery by parties. Staff recommends approval of this portion of OUC's petition, noting that a full hearing will be held for TECO, its proxy utility, so any policy decisions made by the Commission would flow through to OUC. Staff recommends that OUC be required to submit for approval its demand side management plan, as required by Rule 25-17.0021(4), F.A.C., within 90 days of the Final Order establishing goals for its proxy utility, TECO.

Conclusion

Staff recommends that OUC's petition be approved in part and denied in part. OUC should be approved to use TECO as a proxy utility. This will result in savings for OUC's ratepayers while allowing the Commission to establish reasonable goals. An example of this methodology is included as Attachment B. OUC should be excused from the filing and participation requirements of Order PSC-13-0386-PCO-EU. In addition, OUC should be required to file annual numeric conservation goals based on the proxy methodology within 10 days of a Final Order establishing goals being issued in Docket No. 130201-EI (TECO). The Commission should provide staff administrative authority to validate the calculation of the conservation goals and require OUC to file its demand side management plan within 90 days of the Final Order establishing goals for its proxy, TECO.

Because OUC is not an investor-owned utility, no non-numeric goals were established for them in the 2009 goals proceeding. However, should the Commission elect to establish non-numeric goals for the municipal utilities subject to FEECA in the 2014 goals proceeding, Staff recommends that OUC should also be required to meet those goals.

Issue 3: Should these dockets be closed?

Recommendation: No. These dockets should remain open pending further Commission action establishing numeric goals. If a protest in one docket is filed, the protest should not prevent the action proposed herein from becoming final with regard to the remaining docket. (Corbari, Murphy)

Staff Analysis: These dockets should remain open pending further Commission action establishing numeric goals. If a protest in one docket is filed, the protest should not prevent the action proposed herein from becoming final with regard to the remaining docket.

Attachment A

Outline of Proxy Methodology

Table 1 – Gulf: Residential Energy Goals

Year	A 2009 Goals (GWh)	B 2014 Goals (GWh)	C Ratio of 2009/2014 Goals (%)	D Annual Percentage Increase (%)
2015	50.2			
2016	53.6			
2017	55.4			
2018	56.2			
2019	56.7			
2020				
2021				
2022				
2023				
2024				

A) From Order PSC-09-0855-FOF-EG
B) To Be Established By the Commission's Final Order In Docket No. 130202-EI
C) Column B divided by Column A
D) Column B divided by previous entry in Column B minus 1.

Table 2 – FPUC: Residential Energy Goals

Year	A 2009 Goals (GWh)	B Ratio of 2009/2014 Goals (%)	C 2014 Goals (GWh)	D Annual Percentage Increase (%)	E 2014 Goals (GWh)	F 2014 Goals (GWh)
2015	0.5					
2016	0.5					
2017	0.5					
2018	0.5					
2019	0.5					
2020						
2021						
2022						
2023						
2024						

A) From Order PSC-09-0855-FOF-EG
B) Table 1 Column C
C) Column A multiplied by Column C
D) Table 1 Column D
E) For 2020, 2019 Column C entry multiplied by (1 + Column D).
For 2021 and beyond, previous entry multiplied by (1 + Column D)
F) Resulting values from Column C and Column E

Attachment B

Outline of Proxy Methodology

Table 3 – TECO: Residential Energy Goals

Year	A	B	C	D
	2009 Goals	2014 Goals	Ratio of 2009/2014 Goals	Annual Percentage Increase
	(GWh)	(GWh)	(%)	(%)
2015	23.0			
2016	21.3			
2017	19.4			
2018	18.3			
2019	17.3			
2020				
2021				
2022				
2023				
2024				

E) From Order PSC-09-0855-FOF-EG
F) To Be Established By the Commission's Final Order In Docket No. 130201-EI
G) Column B divided by Column A
H) Column B divided by previous entry in Column B minus 1.

Table 4 – OUC: Residential Energy Goals

Year	A	B	C	D	E	F
	2009 Goals	Ratio of 2009/2014 Goals	2014 Goals	Annual Percentage Increase	2014 Goals	2014 Goals
	(GWh)	(%)	(GWh)	(%)	(GWh)	(GWh)
2015	1.8					
2016	1.8					
2017	1.8					
2018	1.8					
2019	1.8					
2020						
2021						
2022						
2023						
2024						

G) From Order PSC-09-0855-FOF-EG
H) Table 3 Column C
I) Column A multiplied by Column C
J) Table 3 Column D
K) For 2020, 2019 Column C entry multiplied by (1 + Column D).
For 2021 and beyond, previous entry multiplied by (1 + Column D)
L) Resulting values from Column C and Column E