

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Commission Review of Numeric) DOCKET NO. 130199-EI
Conservation Goals)
Florida Power & Light Company)
_____)

In re: Commission Review of Numeric) DOCKET NO. 130200-EI
Conservation Goals)
Duke Energy Florida, Inc.)
_____)

In re: Commission Review of Numeric) DOCKET NO. 130201-EI
Conservation Goals)
Tampa Electric Company)
_____)

In re: Commission Review of Numeric) DOCKET NO. 130202-EI
Conservation Goals)
Gulf Power Company)
_____)

SOUTHERN ALLIANCE FOR CLEAN ENERGY’S PREHEARING STATEMENT

The Southern Alliance for Clean Energy, Inc. (“SACE”), by and through its undersigned counsel, and pursuant to Order No. PSC-13-0386-PCO-EU, Order Consolidating Dockets and Establishing Procedure, hereby submits its Prehearing Statement.

A. Appearances

David Guest
Alisa Coe
Earthjustice
111 S. Martin Luther King Jr. Blvd.
Tallahassee, Florida 32301

George Cavros
Southern Alliance for Clean Energy
120 E. Oakland Park Blvd., Suite 105
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Jill M. Tauber*
 Earthjustice
 1625 Massachusetts Ave., NW, Suite 702
 Washington, DC 20036
 *Request to be named as a Qualified Representative pending.

B. Witnesses

<u>Witness</u>	<u>Subject Matter</u>	<u>Issue Nos.</u>
Natalie Mims Southern Alliance for Clean Energy P.O. Box 1842 Knoxville, TN 37901	Appropriateness of FEECA utilities' analyses (including their use of the RIM test, two-year payback free ridership proxy, potential study methodology, inclusion of administrative costs and maximum incentive levels) and resultant recommended savings goals. Consistency of these analyses with accepted industry practice, appropriateness of cost-effectiveness analyses, and program incentives. Adequacy of FPL and DEF's incorporation of efficiency into resource planning and need for additional policies to support efficiency. All other matters addressed in Direct testimony, and standing.	1-10
Karl Rábago 2025 East 24th Ave. Denver, CO 80205	Solar PV Programs, valuation techniques for solar PV. All other matters addressed in Direct testimony.	2, 4, 5, 6, 10, 11
Nancy Brindley	Standing	
Ross McCluney	Standing	
Valerie Amor	Standing	
Michael O'Donovan	Standing	
Sean Atkinson	Standing	
Jacqui Ayala	Standing	
Melissa Meehan Baldwin	Standing	
Susan Glickman	Standing	

Joan Grillo	Standing
Debbie Evans	Standing
Gary Hecker	Standing
Diane Jacobs	Standing
Cara Campbell	Standing
Mary Wilkerson	Standing
Laura Labadie	Standing
Lawrence Lahiff	Standing
Anne Lopez	Standing
Coky Michel	Standing
Rhonda Roff	Standing
Richard Schroeder	Standing
Enid Sisskin	Standing
James Smith	Standing
Philip Stoddard	Standing
Edward Stone	Standing
Anne Vanek Dasovich	Standing
Barry White	Standing
Isabel Villalon	Standing
Scott Farrell	Standing

All witnesses listed or presented by any other party or intervenor

Impeachment and rebuttal witnesses as needed

Any witness revealed through continuing discovery or other investigation

Authentication witnesses or witnesses necessary to lay a predicate for the admissibility of evidence as needed

Additional standing witnesses as needed

C. Prefiled Exhibits

SACE will sponsor the direct exhibits as set out below. However, SACE reserves the right to use other exhibits during cross examination of the FEECA utilities' or any other party's or intervenor's witnesses, and will file a notice in accordance with the orders governing procedure identifying any documents that the utilities claim to be confidential which SACE may use during cross examination.

Exh. Number	Sponsoring Witness	Description
SACE-NAM-1	Natalie Mims	Resume of Natalie Mims
SACE-NAM-2	Natalie Mims	Excerpt of Initial Comments of Sierra Club and Southern Alliance for Clean Energy in NCUC Docket E-100 Sub 137
SACE-NAM-3	Natalie Mims	Excerpt of Direct Testimony of John D. Wilson on Behalf of Southern Alliance for Clean Energy in GPSC Docket 36498
SACE-NAM-4	Natalie Mims	Excerpt of Direct Testimony of Natalie A. Mims on Behalf of Southern Alliance for Clean Energy in GPSC Docket 36498 and 36499
SACE-NAM-5	Natalie Mims	National Action Plan for Energy Efficiency table of benefits and costs for each of the five benefit-cost tests
SACE-NAM-6	Natalie Mims	Excerpt of Direct Testimony of Natalie A. Mims on Behalf of Southern Alliance for Clean Energy and South Carolina Coastal Conservation league in SC PSC Docket 2013-208-E
SACE-NAM-7	Natalie Mims	Excerpt of Direct Testimony of Jamie Barber, Richard F. Spellman, and John L. Kaduk on Behalf of the Georgia Public Service Commission in

Docket 36498

SACE-NAM-8	Natalie Mims	SACE comment letter to Commission staff on technical potential update
SACE-NAM-9	Natalie Mims	Utilities technical, economic, achievable and proposed goals
KRR-1	Karl Rábago	Resume of Karl Rábago
KRR-2	Karl Rábago	A Review of Solar PV Benefit & Cost Studies
KRR-3	Karl Rábago	The Value of Distributed Solar Electric Generation to New Jersey and Pennsylvania
KRR-4	Karl Rábago	Minnesota Value of Solar: Methodology
KRR-5	Karl Rábago	A REGULATOR'S GUIDEBOOK: Calculating the Benefits and Costs of Distributed Solar Generation
KRR-6	Karl Rábago	Model Rules for Shared Renewable Energy Programs

All exhibits listed or introduced into evidence by any other party or intervenor

Standing documents as needed

Impeachment exhibits

Rebuttal exhibits

Exhibits determined necessary by ongoing discovery

All deposition transcripts, and exhibits attached to depositions

All documents produced in discovery

Blow ups or reproductions of any exhibit

Demonstrative exhibits

All pleadings, orders, interrogatory answers, or other filings

All document or data needed to demonstrate the admissibility of exhibits or expert opinion

Maps and summary exhibits

D. Statement of Basic Position

As recognized by the Florida legislature, reducing the rate of electricity consumption, increasing the overall efficiency and cost-effectiveness of electricity use, and encouraging further development of demand-side renewable energy systems are critical to Florida's economic future and the health of its citizens. The conservation goal setting process laid out by the legislature in the Florida Energy Efficiency and Conservation Act ("FEECA") provides a unique opportunity for the Florida Public Service Commission to play a critical role in meeting these objectives by setting goals that meaningfully integrate lower cost and lower risk demand-side energy efficiency and renewable resources into Florida's energy resource portfolio. SACE has intervened to help the Commission set goals that maximize utility investment in cost-effective energy efficiency, the cleanest and cheapest resource to meet Floridians' power needs, and support improved valuation and increased development of demand-side renewable energy systems.

Florida Power & Light Co. ("FPL"), Duke Energy Florida ("DEF"), Gulf Power Company, and TECO (collectively, "the utilities") propose unreasonably low savings goals. These inadequate goals are the direct result of deeply flawed analyses. Indeed, at every step of the goal-setting process, the utilities have used faulty assumptions, inappropriate and arbitrary screens, and erroneous methodologies that improperly narrowed the universe of achievable potential. Starting with the technical potential analysis, for example, the utilities ruled out entire end use sectors, as they did in 2009. The utilities compounded this problem by relying on the same flawed scope of the technical potential study used in the FEECA proceedings five years ago, and the problems identified by SACE in those proceedings were not remedied in the utilities' update of the potential study.

Moving onto the economic and achievable potential, the utilities continue to rely on the Rate Impact Measure (RIM) cost effectiveness test in establishing their proposed goals. As Natalie Mims testifies, the RIM test should not be used to screen efficiency measures. Ratepayer impacts are important, however, the RIM test does not accurately calculate them. The Total Resource Cost test more accurately depicts the costs and benefits of energy efficiency for consumers in Florida.

The utilities justify their unreasonably low savings goals by asserting that they are avoiding cross subsidization. However, a concern about cross subsidies is not a sufficient reason to underinvest in cost effective energy efficiency. First, the system-wide benefits of energy efficiency, including lower overall cost, accrue to *all* customers, not just participating customers. Second, unlike with supply-side resources, cross-subsidies in the efficiency context can be mitigated by increasing participation rates, *i.e.* by turning non-participants into participants. This can be done by offering well-designed, comprehensive programs that target each customer sector, including hard-to-reach customers, such as low-income residential households. Finally, the utilities ignore the fact that cross-subsidization occurs on the supply-side of the energy picture. For example, customers who live near power plants do not benefit from lower electricity costs as compared to their counterparts who live further away from the plants, even though it costs the utility less to deliver electricity from the plants to their homes than to more distant homes.

In order to further suppress cost-effective measures, the utilities apply a two-year payback screen to account for “free ridership.” The utilities blindly apply this screen across all measures without any data or information to support that the measures are in fact being adopted by customers. As Natalie Mims testifies, the proper way for the utility to account for free

ridership is to look at its evaluation, measurement and verification process to determine how many customers would adopt specific energy efficiency measures on their own, without incentives from the utility.

Moreover, several of the most coal-heavy utilities fail to utilize a cost for avoiding carbon emission compliance as a benefit of energy efficiency measures, and all the utilities fail to consider the value of energy efficiency as a compliance mechanism for meeting EPA rules regulating state carbon emissions from existing power plants.

The technical and economic potential flaws that significantly constrain efficiency potential are carried forward to the achievable potential where the utilities further reduce energy efficiency potential by limiting incentive levels for measures to a 2 year payback and limiting future efficiency participation by basing it on the level of participation achieved by utilities in the past. Lastly, FPL proposes goals that are a fraction of its already-meager achievable potential claiming it as an “optimal” amount of energy. This claim is contrary to the intent of FEECA and best energy efficiency practices.

By systematically and artificially constraining the energy efficiency potential, the utilities would condemn Floridians to a future of ever continuing growth in electricity demand and, with it, the need for additional, more expensive supply-side resources to meet electricity demand. This scenario is a favorable one for utility shareholders, who benefit from a return on equity from additions to the rate base, but the same is not true for utility customers. As Natalie Mims testifies, performance incentives for meeting meaningful goals may be necessary to encourage the state’s biggest power companies to provide well-designed energy efficiency programs to meet such goals.

The Commission should set meaningful goals that require the FEECA utilities to aggressively and broadly invest in and deliver energy efficiency. Comprehensive, well-run programs will allow all customers to save energy, lower their electricity bills and allow utilities to lower their overall system cost and risk.

As for demand-side solar programs, the utilities have not proposed goals and attempt to shift the burden to other parties to suggest goals or programs to meet the statutory requirement for goals. As Karl Rábago testifies, the utilities should significantly modify and continue to offer their existing programs based on a value of solar analysis. The DSM cost-effectiveness tests are not suited to capture the benefits of solar PV. The utilities must conduct a comprehensive value of solar analysis, instead of using current cost-effectiveness tests, to capture the full benefits of distributed solar and to inform the utilities solar PV program design.

E. Statement of Issues and Positions

ISSUE 1: Are the Company's proposed goals based on an adequate assessment of the full technical potential of all available demand-side and supply-side conservation and efficiency measures, including demand-side renewable energy systems, pursuant to Section 33.82(3), F.S.?

POSITION: No. As SACE witness Natalie Mims explains, the utilities' assessments are improperly conservative and do not capture full technical potential of all demand side measures. In assessing the technical potential, the utilities erroneously excluded a significant amount of technically potential measures and sectors, resulting in a substantial underestimation of the technical potential.

ISSUE 2: Do the Company's proposed goals adequately reflect the costs and benefits to customers participating in the measure, pursuant to Section 366.82(3)(a), F.S.?

POSITION: No. As SACE witness Natalie Mims testifies, the utilities inflated their cost estimates across all cost tests and failed to consider non-energy benefits, resulting in inaccurate cost test scores and evaluation of customer costs and benefits. Furthermore, as SACE witness Karl Rábago testifies, the utilities do not properly evaluate the costs and benefits to customers for participating in solar programs.

ISSUE 3: Do the Company’s proposed goals adequately reflect the costs and benefits to the general body of rate payers as a whole, including utility incentives and participant contributions pursuant to Section 366.82(3)(b), F.S.?

POSITION: No. Despite this Commission’s prior orders and the clear mandate of the FEECA statute, the utilities continue to use the Rate Impact Measure (“RIM”) cost effectiveness test to establish their proposed goals, and in the case of FPL, establishing its goals on an even smaller subset of RIM-based achievable potential. The use of the RIM test is contrary to Section 366.82(3)(b), F.S., because the RIM test does not reflect “costs and benefits to the general body of ratepayers as a whole, including utility incentives and participant contributions.” As SACE witness Natalie Mims testifies, RIM focuses exclusively on rates. RIM excludes both the participants’ contributions and the participants’ benefits, which come in the form of reduced energy expenditures and lower energy bills. The test that satisfies the legislative mandate is the Total Resource Cost (“TRC”) cost effectiveness test.

ISSUE 4: Do the Company’s proposed goals adequately reflect the need for incentives to promote both customer-owned and utility-owned energy efficiency and demand-side renewable energy systems, pursuant to Section 366.82, F.S.?

POSITION: No. As detailed by SACE witness Natalie Mims, the utilities’ analyses to arrive at their proposed goals are deeply flawed and arbitrarily stop at a two-year payback, even though a lower payback timeframe might be necessary to appropriately incentivize consumer adoption of energy efficiency measures.

The Commission should establish performance-based incentives to encourage the utilities to capture all cost effective energy savings. There is a regulatory disincentive for an investor-owned utility to pursue all cost effective savings now because energy efficiency defers or eliminates the need for power plants – the very asset upon which utility shareholders earn a rate of return. But such incentives should only be established if the Commission sets meaningful savings goals, consistent with those advocated for by SACE. If the Commission were to adopt more meaningful goals, it would be appropriate, in a future proceeding, to establish an incentive that will allow utilities to share in the benefits that cost-effective efficiency programs provide customers while concurrently encouraging the utilities to deliver well-designed programs that reduce customer energy use and lower bills.

ISSUE 5: Do the Company’s proposed goals adequately reflect the costs imposed by state and federal regulations on the emission of greenhouse gases, pursuant to Section 366.82(3)(d), F.S.?

POSITION: No. The goals of TECO and Gulf Power do not reflect a compliance cost for the emission of greenhouse gases. As a matter of law, this is contrary to the requirements of the statute, especially in light of the recent announcement of new

EPA regulation on carbon emissions from existing power plants. None of the utilities analyzed the benefits of greater levels of energy efficiency as a compliance mechanism for the EPA regulation of carbon emissions from existing power plants. Contrary to the utilities' assertions, carbon regulation is not a mere, diminishing, theoretical possibility. SACE witnesses Natalie Mims and Karl Rábago testify on this issue.

ISSUE 6: What cost-effectiveness test or tests should the Commission use to set goals, pursuant to Section 366.82, F.S.?

POSITION: The Commission must adhere to its own precedent and the legislative mandate to use the TRC test and the Participant test to set goals. Section 366.82(3)(b) mandates that the Commission consider “[t]he costs and benefits to the general body of ratepayers as a whole, including utility incentives and participant contributions.” TRC is the cost effectiveness test that focuses on the “general body of ratepayers as a whole.” It does this by considering the total cost of implementing the efficiency program, and comparing that to the benefit the measure provides to the participant and all the utility’s customers including avoided generation, transmission, distribution, and environmental costs. In addition, TRC, in contrast to the RIM test, includes both utility incentives and participant contributions. It does this by considering the total cost of the measure regardless of how that cost may be divided between the utility and participants. The TRC test evaluates efficiency from the perspective of all customers and includes the total costs (including both program and incremental measure costs) and benefits to customers. SACE witness Natalie Mims testifies to this issue. Furthermore, SACE witness Karl Rábago has testified to the need to use a Value of Solar test to evaluate the cost-effectiveness of PV solar systems.

ISSUE 7: Do the Company’s proposed goals appropriately reflect consideration of free riders?

POSITION: No. As SACE witness Natalie Mims testifies, the utilities blindly apply a two-year payback screen for free riders to every efficiency measure. Natalie Mims testifies on the appropriate methodology to address free-ridership, and best practices in this area by peer utilities in other states.

ISSUE 8: What residential summer and winter megawatt (MW) and annual Gigawatt-hour (GWh) goals should be established for the period 2015-2024?

POSITION: SACE recommends that the Commission set savings goals of 0.75% of retail sales for the utilities in 2015, ramping up to at least 1.0% per year through 2017. Based on EPA’s proposed carbon rules, in order to meet Florida’s required carbon emission reductions, EPA suggests that Florida utilities ramp up to achieve 1.5% savings per year by 2024. Therefore, we recommend that the Commission adopt these goals for 2018 in order to prepare the utilities for the demands of the proposed federal rules. Furthermore, as SACE witness Natalie Mims testifies,

there were many fatal flaws, including in the technical potential, economic potential, and achievable potential analyses employed by the utilities, and in the screens used by the utilities, to arrive at their proposed goals.

ISSUE 9: What commercial/industrial summer and winter megawatt (MW) and annual Gigawatt hour (GWh) goals should be established for the period 2015-2014?

POSITION: SACE has the same position here as we do for Issue 8.

ISSUE 10: What goals, if any, should be established for increasing the development of demand-side renewable energy systems, pursuant to Section 366.82(2), F.S.?

POSITION: Goals should be set for increasing the development of demand-side renewable energy systems. Karl Rábago testifies that utilities should be directed to develop, in conjunction with Commission staff and stakeholders, a Value of Solar methodology and utilize such Value of Solar analysis in lieu of current cost-effectiveness tests to inform solar PV program design. Utilities should also be directed to establish distributed solar PV programs that are focused not simply on minimal compliance, but on supporting the emergence of a self-sustaining competitive market for distributed solar PV. Staff and other stakeholders should have an explicit and formal role in this program development process.

ISSUE 11: Should the Company's existing Solar Pilot Programs be extended and, if so, should any modifications be made to them?

POSITION: Yes, the programs should be extended, but SACE witness Karl Rábago testifies on how to prospectively improve program design by developing a Value of Solar methodology, and using such methodology in lieu of current DSM cost-effectiveness tests. He also testifies on how to design the program to support the emergence of a self-sustaining competitive market for distributed solar PV

F. Stipulated Issues

SACE has not stipulated to any issues at this time.

G. Pending Motions or Other Matters

SACE has no pending motions or other matters at this time.

H. Pending Requests or Claims for Confidentiality

SACE has no pending confidentiality requests or claims.

I. Objections to Witness' Qualifications as an Expert

None at this time.

J. Compliance with Order Establishing Procedure

SACE has complied with all applicable requirements of the order establishing procedure in this docket.

Respectfully submitted this 10th day of June, 2014.

/s/ Alisa Coe

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy and correct copy of the foregoing was served on this 10th day of June, 2014, via electronic mail on:

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DATED this 10th day of June, 2014.

/s/ Alisa Coe
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