



May 22, 2020

Mr. Adam Teitzman, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0850

Re: Docket No. 20200055-EG – Petition for approval of proposed demand-side management plan, by Gulf Power Company

Dear Mr. Teitzman:

Attached for electronic filing is Gulf Power Company's response to Staff's Third Data Request in Docket 20200055-EG.

Sincerely,

S/Richard Hume

Richard Hume
Regulatory Issues Manager

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Attachments

cc: Gulf Power Company
Russell Badders, Esq., VP & Associate General Counsel
Beggs & Lane
Florida Public Service Commission
Douglas Wright, Division of Engineering

QUESTION:

Please refer to Gulf's response to Staff's First Data Request, Question No. 9, in which Gulf states it anticipates it would implement program caps "if all three goals (Summer KW, Winter KW, and Annual GWh) were achieved for one or both sectors in a given year."

- a. Please describe the relationship between program caps and administrative costs for the programs that are eligible for caps.
- b. For each year in the 2020-2024 projected period, what is the administrative cost to implement program caps?
- c. Please describe the effect of program caps on the program managers and other administrative employees (i.e., how will Gulf distribute the workload of an employee whose program has been capped?). Please detail how the payroll-related costs of reassigned employees would be reflected (reallocated) in Gulf's ECCR schedules.
- d. Aside from payroll-related costs, please describe how Gulf would reallocate administrative costs if a program is capped. Discuss in your response how reallocated administrative costs would be reflected in cost effectiveness evaluations in the 2020-2024 review period.
- e. Once a program is capped in a given period, will administrative costs for the program and/or the sector cease, or continue for the balance of the period? Discuss in your response what other types of costs will either cease or continue for the balance of the period.

RESPONSE:

- a. Gulf classifies all non-incentive costs (labor, materials and expenses, advertising, and capital recovery) as administrative costs. As discussed in Gulf's Response to Staff's Second Data Request Item 1, these costs do not necessarily vary with program enrollments and therefore would similarly not vary substantially if enrollments were suspended. A significant portion of these costs like labor are more fixed in nature and others, like vendor costs for installation of measures associated with the Community Energy Saver program, are variable with the number of installations performed. The fixed costs would not vary if enrollments were suspended while these variable, installation-based costs would be reduced in the event of enrollment suspensions.
- b. Gulf anticipates that any costs associated with administering enrollment suspensions would be de minimis and therefore does not have specific cost projections for each year.
- c. Gulf does not expect that implementation of enrollment suspensions will have any material impacts on the workload distributions of program managers and other support employees. These employees perform many other ongoing activities like planning, reporting, process improvements, etc. that will all continue even if enrollments are suspended. As Gulf has noted in response to previous data requests, the Company is not anticipating enactment of enrollment suspensions as a routine matter, but only as a means of mitigating customer rate impact in the event all three goals for either sector are met before the end of the applicable year.

Gulf also does not expect significant impact to field employees who primarily perform customer surveys which will not be subject to the enrollment suspensions. These employees will also continue working with trade-allies to inform and educate on program details to prepare for re-opening enrollments in the event enrollments were suspended prior to the end of the year.

Although Gulf does not expect that any employees would be re-assigned to work on other activities in the event enrollments were suspended, if re-assignments were to occur, including to any non-ECCR activities, payroll costs would be re-allocated accordingly and reflected in ECCR schedules.

- d. Similar to re-allocating payroll costs if employees were re-assigned due to suspending enrollments, non-payroll costs would be also re-allocated, or eliminated. Any impacts to costs associated with this re-allocation would be reflected in the actual program expenses utilized in updating the net program benefits calculated as part of the Annual DSM Report each year. Cost-effectiveness evaluations, which are forward looking, would not be affected by these potential adjustments.
- e. Please see the Company's response to subparts c and d above.

QUESTION:

In its petition at page 6, Gulf states, “Gulf continues to believe that the RIM test is an important criterion for utility-sponsored DSM programs.” Assuming that all three goals were achieved in a given year for one or both sectors, will Gulf use the RIM test to determine what programs are cost-effective and will continue to be offered? Please explain your response.

RESPONSE:

If all three goals are achieved during the year for a given sector, Gulf intends to suspend all non-audit programs in the applicable sector(s), with the exception of the Company’s Curtailable Load (CL) program. CL was approved by the Commission in Order No. PSC-2018-0159-PAA-EI as an experimental program in the Company’s DSM Plan. CL is unique in that contains a separate enrollment cap of 50 MW as set forth in the Commission-approved tariff for the program. Aside from CL, no other programs included in the Company’s proposed 2020 DSM Plan are RIM-passing and Gulf does not anticipate any of these programs would become RIM-passing during the timeframe of the DSM Plan.

QUESTION:

In page 6 of Schedule 1 attached to Gulf's Petition, the company states that cost effectiveness screenings were not performed for the Residential and Business Energy Survey programs or the Business Custom Incentive program. Assuming that all three goals were achieved in a given year for one or both sectors, please answer the following questions:

- a. Is it correct that the Residential Energy Survey program would not be subject to program caps on participation, and would continue to be offered? Discuss why or why not.
- b. Is it correct that the Business Energy Survey program would not be subject to program caps on participation, and would continue to be offered? Discuss why or why not.
- c. Is it correct that the Business Custom Incentive program would not be subject to program caps on participation, and would continue to be offered? Discuss why or why not.

RESPONSE:

- a. Yes. The Residential Energy Survey program would not be impacted by any suspension in program enrollments associated with achieving the three individual goals for either sector. This program is offered according to FPSC Rule 25-17.003, F.A.C., and the Company does not count any associated savings towards goal achievement.
- b. Yes. The Business Energy Survey program would not be impacted by any suspension in program enrollments associated with achieving the three individual goals for either sector. This program is offered according to FPSC Rule 25-17.003, F.A.C., and the Company does not count any associated savings towards goal achievement.
- c. No. New enrollments in the Business Custom Incentive program, like other Commercial/Industrial programs (excepting CL), would be suspended if the Company achieved all three of the individual goals for this sector. Cost effectiveness results for this program are performed on a case by case basis for each potential project based on the specific demand and energy savings of the project and are thus were not available at the time of DSM Plan filing. However, achieving the energy savings associated with this program will be essential to meeting the Annual GWh goal for the Commercial/Industrial sector. Therefore, Gulf does not expect any programs to be suspended until all projected savings from this program are achieved. Further, Gulf believes the impact of enrollment suspensions for this program, if enacted, will be very minimal as the total number of projects evaluated under this program has historically been very small.

QUESTION:

In page 6 of Schedule 1 attached to Gulf's Petition, Table 3 provides the test results of the cost-effectiveness screening that was used for Gulf's goal-setting docket (Docket Number 20190016-EG). Assuming the residential Energy Select program or any program identified on Table 3 met all three of the goals in a given year for the residential sector, would Gulf impose a cap on participation for all residential programs identified on Table 3? Discuss why or why not.

RESPONSE:

Yes. If all three goals for any given year were achieved for the residential sector by any combination of programs, new enrollments would be suspended for all programs. However, it is important to understand that each program has a different profile of energy and demand savings and that it would be unlikely that any one program would satisfy all three goals for the sector. For example, in order for Energy Select to achieve all three goals for the residential sector in 2021, the program would have to achieve 9,806 enrollments. The enrollment target for this program in 2021 is 2,258 participants.

QUESTION:

In page 6 of Schedule 1 attached to Gulf's Petition, Table 3 provides the test results of the cost-effectiveness screening that was used for Gulf's goal-setting docket (DN 20190016-EG). Please refer to Table 3 to answer the following questions:

- a. The RIM test result for the Curtailable Load program is 1.0, which is an indication that this is a cost-effective program. Is it correct that this program would not be subject to program caps and would continue to be offered? Discuss why or why not.
- b. Is Gulf proposing to cap both cost-effective and non-cost-effective programs for a sector once it meets all three goals for that sector in a given year? Discuss why or why not.

RESPONSE:

- a. Yes. For the reasons noted in response to Item 2, the Curtailable Load program would not be subject to the enrollment suspensions proposed in Gulf's petition.
- b. Yes, with the exception of the Curtailable Load program. As noted in response to Item 2, aside from CL, no programs included in the Company's proposed 2020 DSM Plan are RIM-passing and the Company does not anticipate that any of these programs would become RIM-passing during the timeframe of the DSM Plan. However, even if one were to assume that Gulf's other programs were RIM-passing, Gulf would nevertheless propose to cap participation once goals have been achieved. The goals established for DSM reflect the target amount of cost effective demand and energy savings that can be achieved as part of the Company's overall resource plan. Once these goals are achieved, additional spending associated with above-goal enrollments (even if based on RIM-passing programs) could result in unnecessary costs to all utility customers.

QUESTION:

Is it correct that Gulf did not meet all 3 goals in the residential sector in 2018-2019? By year, please explain the reason(s) why.

RESPONSE:

It is correct that Gulf did not meet all three goals in the residential sector for years 2018 and 2019. Explanations are as follows:

2018: There were several factors that contributed to Gulf's inability to meet its goals. Foremost, in early October 2018, Hurricane Michael made landfall in the eastern portion of Gulf's service area severely impacting residential program enrollments through the end of the year. Beyond the impacts of Hurricane Michael, Gulf continued to experience reductions in participation from HVAC trade allies in the company's HVAC Efficiency program.

2019: There were several factors that contributed to Gulf's inability to meet its goals. The Company experienced a decline in requests for residential energy audits. As the primary vehicle for customer education regarding energy efficiency and program offerings, the decline in energy audits indirectly led to lower participation in other program offerings. Gulf also continued to experience less participation from HVAC trade allies in the Company's HVAC Efficiency program. Diminished participation by HVAC trade allies in Gulf's existing HVAC program is a primary reason that the Company is proposing a different HVAC program in the 2020 DSM Plan.

QUESTION:

Please identify the month in 2017 when all 3 goals were achieved for the residential sector.

RESPONSE:

All three goals for the residential sector were achieved in December 2017.

QUESTION:

Is it correct that Gulf did not meet all 3 goals in the commercial/industrial sector in 2016-2019? By year, please explain the reason(s) why.

RESPONSE:

It is correct that Gulf did not meet all three goals in the commercial/industrial sector for years 2016 through 2019. Explanations are as follows:

2016: Gulf has experienced declining customer interest in programs, including the commercial/industrial energy survey program despite outreach to trade allies and customers by customer advisors.

2017: Despite increased efforts to educate customers and trade allies on available DSM programs, Gulf continued to experience decreased customer interest in all programs, including commercial/industrial energy audit.

2018: Although Gulf enjoyed slightly higher adoption of the ceiling insulation and reflective roofing measures in the Business HVAC program, overall declining interest in available DSM programs continued to be the primary contributor to not meeting goals.

2019: Gulf experienced increased participation in some programs as a result of rebuilding from Hurricane Michael, but the Company continued to experience an overall reduced interest in DSM programs. This included a significant decrease in the number of requests for energy audits by commercial/industrial customers. The Company has updated its' commercial/industrial programs in the 2020 DSM Plan with an eye toward increasing customer participation.