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OCTOBER 23, 1997

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF ELECTRIC & GAS (HARLOW) *JSH to X7*
DIVISION OF LEGAL SERVICES (PAUGH) *JPP RUE JDT*

RE: DOCKET NO. 970543-EG - PETITION BY FLORIDA POWER & LIGHT
COMPANY FOR MODIFICATION OF COMMERCIAL/INDUSTRIAL
EFFICIENT LIGHTING PROGRAM

AGENDA: NOVEMBER 4, 1997 - REGULAR AGENDA - PROPOSED AGENCY
ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\EAG\WP\970543.RCM

CASE BACKGROUND

In November 1995, the Commission approved Florida Power and Light's (FPL) Commercial/Industrial (C/I) Efficient Lighting program as part of FPL's demand side management (DSM) plan in Order Numbers PSC-95-1343-S-EG, and PSC-95-1343A-S-EG. The C/I Lighting program provides incentives for the installation of high-efficiency lighting measures at the time of replacement. The goal of the program is the reduction of C/I on-peak lighting load and energy usage.

In staff's first set of interrogatories in Docket No. 960002-EG, FPL was asked to evaluate each of its approved DSM programs using the company's most recent planning assumptions. The results showed that the C/I Efficient Lighting program, along with several other DSM programs, failed the Rate Impact Measure (RIM) test. FPL stated that the requested analyses were not sufficient to assess whether the programs should continue to be offered. FPL agreed at that time to reevaluate each of the programs that failed the RIM test to determine potential program modifications that may be desirable.

On May 6, 1997, FPL filed a petition to reduce average C/I Efficient Lighting program incentives to \$75 per summer kW demand reduction in order to make the program cost-effective under current

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planning assumptions. FPL requests Commission approval of the modified program, including recovery of reasonable and prudent expenditures through the Energy Conservation Cost Recovery clause. FPL also requests that the savings resulting from the modified C/I Efficient Lighting program continue to count towards FPL's approved conservation goals.

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DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve Florida Power & Light Company's (FPL) petition for modification of the Commercial/Industrial (C/I) Efficient Lighting program, including approval for energy conservation cost recovery?

RECOMMENDATION: Yes. However, because the C/I Efficient Lighting program is marginally cost-effective, FPL should file revised cost-effectiveness ratios with the Commission in its November 1998 true-up filings in Docket No. 980002-EG. FPL should also report to staff the results of its planned 1998 evaluation of the C/I Efficient Lighting program.

STAFF ANALYSIS: At the time of approval, the C/I Efficient Lighting program was cost-effective, with a Rate Impact Measure (RIM) test value of 1.08. However, in response to staff's interrogatory in Docket No. 960002-EG, FPL reassessed the program's cost-effectiveness and found that due primarily to reductions in avoided cost, the program was not cost-effective (RIM = .75) under the current incentive levels.

FPL has proposed a reduction in incentive levels from an average of \$116 to \$75 per summer peak kW demand reduction in order to make the C/I Efficient Lighting program cost-effective under current planning assumptions. The modified C/I Efficient Lighting program is expected to result in a reduction in summer peak demand of 17.4 mW and a winter peak demand reduction of 10.9 mW for the period 1998 through 2000. There is no change in the expected per participant demand savings (.94 kW) as a result of the program modification. The modified program is expected to reduce energy consumption by 72.3 gwh by the year 2000.

FPL has determined the cost-effectiveness ratios of the modified C/I Efficient Lighting program as follows:

Rate Impact Measure Test:	1.02
Participant Cost Test:	2.17
Total Resource Cost Test:	1.79

With a RIM value of 1.02, the modified program is marginally cost-effective. The program also has a relatively long payback period of twenty-one years, according to the RIM test results.

FPL's C/I customers have more diverse electricity usage characteristics than residential customers. A number of factors contribute to this effect including different business types.

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operating hours, level of usage (kW), and duration of usage. There is more risk, therefore, in using average demand and energy savings in evaluating the cost-effectiveness of C/I programs. FPL performed a focused evaluation of the C/I Efficient Lighting program's demand and energy savings in 1996, which included end-use monitoring. According to FPL's 1997 through 1999 DSM evaluation plans, the company now plans to focus additional attention on the evaluation of C/I programs. The C/I Efficient Lighting program will be the subject of a focused evaluation in 1998, including end-use metering at 100 sites, site surveys, post participation surveys, post impact surveys and trade ally surveys. These efforts will assist FPL in verifying the projected savings of the program. FPL should report to staff the results of its planned 1998 evaluation efforts for the C/I Efficient Lighting program.

The reduction in incentives for the C/I Efficient Lighting program benefits the general body of ratepayers by reducing program expenditures to a cost-effective level. However, because the program as modified is only marginally cost-effective, there is little room for error in the assumptions used in FPL's cost-effectiveness analysis. This increases the risk that ratepayers will subsidize participants without receiving the capacity deferral benefit of cost-effective programs. Staff therefore recommends that FPL should provide revised cost-effectiveness ratios with its true-up filing in Docket No. 980002-EG. The filing date will be in November 1998; a specific date will be set when the docket is opened. The revised cost-effectiveness ratios should include the most current assumptions at the time the analysis is performed.

Staff recommends approval of the modified C/I Efficient Lighting program because the program meets Commission requirements for cost-effectiveness. Reasonable and prudent expenditures for the modified program should be approved for cost recovery, and the resulting demand and energy savings should continue to count towards FPL's DSM goals. Staff further recommends that because the program is marginally cost-effective, the results of FPL's planned 1998 evaluation of the program should be used to reassess the program's cost-effectiveness under the most current planning assumptions. FPL should file the revised cost-effectiveness ratios with the Commission in the November 1998 true-up filings in Docket No. 980002-EG. FPL should also report to staff the results of its planned 1998 evaluation of the C/I Efficient Lighting program.

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ISSUE 2: Should Florida Power and Light Company be required to submit detailed program participation standards?

RECOMMENDATION: Yes. Florida Power and Light Company (FPL) should file program participation standards within 30 days of the issuance of the order in this docket. These standards should be administratively approved.

STAFF ANALYSIS: FPL's program standards should clearly state the Company's requirements for participation in the programs, customer eligibility requirements, details on how rebates or incentives will be processed, technical specifications on equipment eligibility, and necessary reporting requirements. Staff requests that it be allowed to administratively approve these program participation standards if they conform to the description of the programs contained in the utility's DSM plan.

ISSUE 3: Should this docket be closed?

RECOMMENDATION: Yes. If no person whose substantial interests are affected by the Commission's proposed agency action timely files a protest within twenty-one days of the issuance of the order, this docket should be closed.

STAFF ANALYSIS: Pursuant to Rule 25-22.029(4), Florida Administrative Code, any person whose substantial interests are affected by the Commission's proposed agency action shall have 21 days after issuance of the order to file a protest. If no timely protest is filed, the docket should be closed.