

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Florida Power
& Light Company for modification
of Commercial/Industrial
Efficient Lighting Program.

DOCKET NO. 970543-EG
ORDER NO. PSC-97-1475-FOF-EG
ISSUED: November 24, 1997

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
DIANE K. KIESLING
JOE GARCIA

NOTICE OF PROPOSED AGENCY ACTION AND
ORDER APPROVING MODIFICATION OF FLORIDA POWER & LIGHT
COMPANY'S COMMERCIAL /INDUSTRIAL EFFICIENT LIGHTING PROGRAM

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

CASE BACKGROUND

In November 1995, we approved Florida Power and Light Company's (FPL or Company) 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

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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 kilowatt demand reduction in order to make the Program cost-effective under current planning assumptions. FPL requests our approval of the modified Program, including recovery of reasonable and prudent expenditures through the Energy Conservation Cost Recovery (ECCR) clause. FPL also requests that the savings resulting from the modified C/I Efficient Lighting Program continue to count toward FPL's approved conservation goals.

DECISION

Subject to the conditions set forth herein, we approve Florida Power & Light Company's petition for modification of the Commercial/Industrial (C/I) Efficient Lighting Program, including approval for energy conservation cost recovery.

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 to reductions in avoided cost, the Program was not cost-effective with a RIM value of .75 under the current incentive levels.

FPL has proposed a reduction in incentive levels from an average of \$116 to \$75 per summer peak kilowatt 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 megawatts and a winter peak demand reduction of 10.9 megawatts for the period 1998 through 2000. There is no change in the expected per participant demand savings (.94 kilowatts) as a result of the Program modification. The modified

Program is expected to reduce energy consumption by 72.3 gigawatts 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, 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 shall report the results of its planned 1998 evaluation efforts for the C/I Efficient Lighting Program to Commission staff.

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. Therefore, FPL shall 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.

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In addition to revised cost-effectiveness ratios with its true-up filing, FPL is required to file detailed Program participation standards within 30 days of the issuance date of this order. The Program standards shall clearly state the Company's requirements for participation in the Program, customer eligibility requirements, details on how rebates or incentives will be processed, technical specifications on equipment eligibility, and necessary reporting requirements. The Program standards will be administratively reviewed for consistency with the description of the programs contained in the utility's DSM plan.

In short, the modified C/I Efficient Lighting Program is approved because it meets our requirements for cost-effectiveness. Reasonable and prudent expenditures for the modified Program may be approved for cost recovery, and the resulting demand and energy savings will continue to count toward FPL's DSM goals. However, because the Program is marginally cost-effective, the results of FPL's planned 1998 evaluation of the Program will be used to reassess the Program's cost-effectiveness under the most current planning assumptions. FPL shall file the revised cost-effectiveness ratios in the November 1998 true-up filings in Docket No. 980002-EG. FPL shall also report to staff the results of its planned 1998 evaluation of the C/I Efficient Lighting Program.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that modifications to Florida Power & Light Company's Commercial/Industrial Efficient Lighting Program are approved. It is further

ORDERED that Florida Power & Light Company may recover reasonable and prudent expenses for the modified Commercial/Industrial Efficient Lighting Program through the energy conservation cost recovery clause. It is further

ORDERED that Florida Power & Light Company shall provide revised cost-effectiveness ratios with its true-up filing in Docket No. 980002-EG in November of 1998. It is further

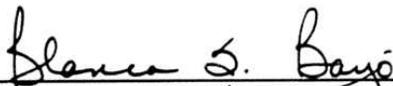
ORDERED that Florida Power & Light Company shall file detailed program participation standards as set forth herein within 30 days of the issuance date of this order.

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ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that in the event this Order becomes final, this Docket shall be closed.

By ORDER of the Florida Public Service Commission this 24th day of November, 1997.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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LJP

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

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The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on December 15, 1997.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party substantially affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.