

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for modification of Gas Engine Driven Chiller Research Project by Florida Power & Light Company.)	DOCKET NO. 960041-EG
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In Re: Petition for approval of Gas Commercial/Industrial Business Custom Incentive Research Project by Florida Power & Light Company.)	DOCKET NO. 960042-EG ORDER NO. PSC-96-0410-FOF-EG ISSUED: March 22, 1996

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION ORDER
ORDER APPROVING MODIFICATION OF GAS ENGINE DRIVEN CHILLER
RESEARCH PROJECT AND APPROVING GAS COMMERCIAL/INDUSTRIAL BUSINESS
CUSTOMER INCENTIVES RESEARCH PROJECT

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 Order No. PSC-94-1313-FOF-EG, issued October 25, 1994, we set numeric demand-side management (DSM) goals for the four largest investor-owned utilities (IOU). Pursuant to Commission Rule 25-17.0021(4), Florida Administrative Code, the IOUs filed DSM plans including programs designed to meet each utility's goals. In setting goals, we also determined that the IOUs' analyses lacked sufficiently accurate information to set specific goals relating to natural gas substitution for electricity. Consequently, we ordered the IOUs to conduct natural gas research and demonstration projects

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in the functional areas of heating, cooling, dehumidification and water heating to develop Florida-specific data on performance and cost-effectiveness of gas technologies.

In Order No. PSC-95-1146-FOF-EG, issued September 15, 1995 (Docket No. 950492-EG), we approved Florida Power & Light Company's (FPL) Natural Gas End-Use Technology Research and Development Plan (Gas R&D Plan). The Gas R&D plan contains five natural gas-fired end-use technologies which will be studied including: 1) Residential gas engine driven heat pumps; 2) Commercial/Industrial (C/I) gas engine driven chillers; 3) C/I gas engine driven DX air conditioning; 4) Residential gas water heating; and 5) C/I desiccant cooling. In approving FPL's plan, we found that it is important to measure all benefits and costs when assessing the cost effectiveness of technologies. We also found that gas chillers produce waste heat which has the potential to be utilized for productive purposes. Thus, we required FPL to research one gas engine driven chiller with a waste heat recovery system.

On June 9, 1995, we issued Notice of Proposed Agency Action Order No. PSC-95-0691-FOF-EI (Docket No. 941173-EG), approving FPL's DSM Plan, as well as the DSM Plans of the other three IOUs. Protests of that order were filed, including a petition for a formal proceeding by Peoples Gas System, Inc. (Peoples). Thereafter, in order to avoid litigation, the parties began settlement negotiations. Several of the parties filed stipulations resolving their protests. FPL and Peoples filed a stipulation on September 19, 1995.

The stipulations were approved, and Order No. PSC-95-0691-FOF-EI was reinstated approving FPL's DSM plan as a final order, as modified by the stipulations. The stipulation between FPL and Peoples included provisions by which: 1) FPL agreed to file a petition seeking to revise its Gas Engine Driven Chiller Research Project to remove waste heat recovery requirements; and 2) FPL agreed to file a petition seeking approval of a gas research and development project patterned after FPL's C/I Business Custom Incentive (BCI) Program. The BCI is a Commission-approved program which provides incentives for the installation of electric end-use equipment, not covered by other FPL programs, which cost-effectively reduces or shifts demand to off-peak periods.

FPL filed the petitions described above. We opened Docket No. 960041-EG to consider the petition seeking revision of the Gas Engine Driven Chiller Research Project to remove waste heat recovery requirements. We opened Docket No. 960042-EG to consider the petition seeking approval of the Gas Commercial/Industrial Business Custom Incentives Research Project (Gas BCI). Because the

issues in these dockets are interrelated, we address them both herein.

Discussion

I. Gas Engine Driven Chiller Research Project

On April 26, 1995, FPL filed its Gas R&D program. The program contained several component programs, including one dedicated to researching gas fired chillers. Waste heat recovery from gas fired chillers is an excellent means of improving the efficiency of the entire system. Thus, we required FPL to research one gas engine driven chiller with a waste heat recovery system. See Order No. PSC-95-1146-FOF-EG.

FPL's original gas fired chiller program did not provide for any cost-effectiveness analysis prior to installation. The program was aimed solely at gathering data on the cost and efficiencies of natural gas fired chiller applications for use in future cost-effectiveness evaluations. FPL stated that it would select two sites, and would purchase and install new equipment if no suitable existing installations could be found. We required FPL to select at least one of those sites to monitor waste heat recovery from gas fired chillers. If FPL could not identify a suitable existing installation for waste heat recovery, then FPL's ratepayers would face the additional expense of installing waste heat recovery equipment without the benefit of a RIM analysis.

Under the proposed modification to its gas engine driven chiller research project, FPL will include waste heat recovery from gas fired chillers as an eligible installation under its proposed Gas BCI research project and delete the waste heat recovery requirement from its gas engine driven chiller research project. The Gas BCI project is similar to FPL's "electric" BCI program in that incentives are customized with regard to the customer and equipment installed. As with the "electric" BCI program, the Gas BCI program requires a RIM analysis prior to any installation or incentive payment. This ensures that FPL's ratepayers are not spending money for the sake of gathering data, but rather for cost-effective natural gas end-use applications. In addition, Peoples Gas will provide input and recommendations to FPL on the selection of potential Gas BCI participants. Such input may help to limit potential bias of the research data.

We find, therefore, that FPL's proposed Gas BCI program is a more appropriate means to gather information on the

cost-effectiveness of the gas engine driven chiller with waste heat recovery system.

II. Gas Commercial/Industrial Business Customer Incentives Research Project

FPL's proposed Gas BCI research project is also the result of the stipulation between Peoples and FPL settling Peoples' protest of FPL's DSM plan. The objective of the Gas BCI research project is to reduce or shift to off-peak hours, the on-peak electric demand. Eligible C/I customers who purchase and operate qualifying, cost-effective natural gas applications will be given incentives. Examples of potential qualifying equipment includes commercial water heating, and small cogeneration projects. As a result of our approval herein of the modifications to FPL's gas engine driven chiller research project, gas engine driven chillers with waste heat recovery will also be an eligible technology under the Gas BCI Research Project. In addition, cost-effective gas desiccant cooling applications will be eligible for incentives. The Gas BCI project will be available to potential customers for a period of two years from our approval. Incentives can be paid to qualified participants beyond the two year period.

FPL has established specific participation requirements which should ensure that each project is viable and cost-effective for FPL and its ratepayers. Eligible facilities must be served by both FPL and Peoples. Projects that pass the cost-effectiveness analysis shall not exceed a savings of 10 mW collectively. A qualifying project must reduce customer demand coincident with FPL's summer system peak by a minimum of 25 kW, but not to exceed a maximum of 2 mW.

Project applicants must provide FPL with a screening application which will allow FPL to perform an initial review of the project. Upon receipt of a positive response from FPL, the customer must then submit a formal proposal. This will allow FPL to determine the cost-effectiveness of the project, its feasibility, and its impacts on FPL's system.

FPL will then conduct a cost-effectiveness analysis for each project and will pay an incentive so that the Rate Impact Measure (RIM) test is at least 1.01 and the Participant test is at least 1.00. This provision allows FPL to tailor the incentive to the specific costs and benefits provided by the project while ensuring cost-effectiveness for FPL and its ratepayers. FPL will pay incentives to the customer on an agreed upon schedule. That schedule could extend beyond the two year project offering.

We note that it is possible that a project that is eligible for an incentive under the Gas BCI project could also be eligible for an incentive from Peoples. If this occurs, FPL will factor any incentive paid by Peoples under an approved DSM program into the analysis performed to determine cost-effectiveness under FPL's Gas BCI project. In approving this project, we emphasize that we are not giving prior approval to any future expenditures made by Peoples pursuant to FPL's Gas BCI project.

FPL has stated that all projects approved under the Gas BCI project will be monitored to ensure that projected savings are realized. The provisions of FPL's petition provide opportunities for the project to be adequately monitored. Within ninety days of the payment of an initial incentive, FPL will provide the Commission with the cost-effectiveness analyses upon which the incentive was paid. In addition, FPL will file the underlying cost-effectiveness analyses with its Energy Conservation Cost Recovery filing for the period in which the initial payment is made. We reserve the right to evaluate any cost-effectiveness analyses FPL files pursuant to this project. The appropriateness of expenditures associated with this project will be determined in our review of conservation expenditures. In addition, FPL shall keep us informed on any projects approved under this project by filing an annual report on the research results.

FPL has developed a gas research project with the potential to analyze cost-effective natural gas equipment not already covered by existing research projects. This R&D effort will determine the impact of cost-effective gas substitution on FPL's system from financial and operational perspectives, while ensuring cost-effectiveness for FPL and its ratepayers. For the above reasons, we approve FPL's Gas C/I Business Custom Incentive Research Project, including approval for conservation cost recovery.

Impact on Numeric DSM Goals

FPL states in its petition for approval of the Gas BCI research project:

Any savings achieved through this research project will be recognized in determining whether FPL has achieved its conservation goals.

FPL intends the actual numeric kW and kWh savings attributable to qualifying projects under the Gas BCI project to count towards meeting its C/I numeric goals. In setting FPL's numeric DSM goals in Docket No. 930548-EG, Order No. PSC-94-1313-FOF-EG issued October 25, 1994, we recognized the potential for FPL to utilize

the savings from R&D programs and green pricing options to meet its numeric goals. It is appropriate, therefore, for FPL to count any kW and kWh savings toward meeting its C/I numeric DSM goals. It would be difficult to project the number of participants and the corresponding demand and energy savings for the project at this time. Thus, the potential contribution towards meeting FPL's C/I goals cannot be estimated at this time.

Based on the foregoing, it is, therefore,

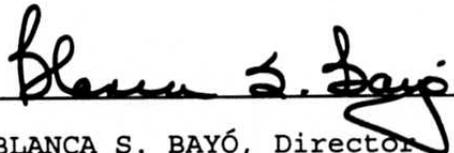
ORDERED by the Florida Public Service Commission that Florida Power & Light Company's Petition for Modification of its Gas Engine Driven Chiller Research Project is, hereby, approved. It is further

ORDERED that Florida Power & Light Company's Petition for Approval of its Gas Commercial/Industrial Business Customer Incentives Research Project is approved. It is further

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 should be closed.

By ORDER of the Florida Public Service Commission, this 22nd day of March, 1996.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), 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.

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 April 12, 1996.

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.