

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Adoption of Numeric
Conservation Goals by Florida
Power & Light Company.

DOCKET NO. 971004-EG

In re: Adoption of Numeric
Conservation Goals by Florida
Power Corporation.

DOCKET NO. 971005-EG

In re: Adoption of Numeric
Conservation Goals by Gulf Power
Company.

DOCKET NO. 971006-EG

In re: Adoption of Numeric
Conservation Goals by Tampa
Electric Company.

DOCKET NO. 971007-EG
ORDER NO. PSC-99-1942-FOF-EG
ISSUED: October 1, 1999

The following Commissioners participated in the disposition of this matter:

JOE GARCIA, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JULIA L. JOHNSON
E. LEON JACOBS, JR.

Pursuant to Notice, a Formal Hearing was held in the above-referenced dockets on August 17, 1999.

APPEARANCES:

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On behalf of Legal Environmental Assistance Foundation (LEAF).

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On behalf of the Commission Staff (STAFF).

FINAL ORDER ESTABLISHING NUMERIC CONSERVATION GOALS FOR FLORIDA
POWER & LIGHT COMPANY, FLORIDA POWER CORPORATION, GULF POWER
COMPANY, AND TAMPA ELECTRIC COMPANY

BY THE COMMISSION:

I. CASE BACKGROUND

Docket Nos. 971004-EG, 971005-EG, 971006-EG, and 971007-EG were opened to implement Rule 25-17.0021, Florida Administrative Code. This rule requires the Commission to establish numeric demand side management (DSM) goals for electric utilities subject to Section 366.82(1), Florida Statutes. The Commission originally established numeric goals by Order No. PSC-94-1313-FOF-EG issued October 25, 1994. Pursuant to the rule, the Commission is required to set goals for each jurisdictional utility at least once every five years.

An Order Establishing Procedure, Order No. PSC-98-0384-PCO-EG, was issued March 10, 1998. Pursuant to this order, Florida Power and Light Company (FPL), Florida Power Corporation (FPC), Gulf Power Company (Gulf), and Tampa Electric Company (TECO) were required to propose numeric goals for the ten year period from 2000-2009. These proposed goals, based upon each utility's most recent planning process, consist of the total, cost-effective winter and summer peak demand (KW) and annual energy (kWh) savings

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reasonably achievable from DSM for the residential and commercial/industrial classes.

On May 3, 1999, FPC and LEAF filed a Joint Motion to Approve Stipulation in Docket No. 971005-EG. Order No. PSC-99-1380-FOF-EG, issued July 19, 1999, approved the joint stipulation. Pursuant to the Stipulation, LEAF agreed to withdraw from the docket and take no position on FPC's proposed numeric DSM goals. In return, FPC agreed to investigate and, if feasible, develop various energy-efficiency measures such as low income weatherization assistance, green pricing, and project-specific energy efficiency measures for commercial/industrial customers.

LEAF ultimately reached separate stipulations with Gulf, FPL, and TECO which are essentially the same as the stipulation reached previously with FPC. Pursuant to all stipulations reached between LEAF and the utilities, LEAF agreed to withdraw from the goals dockets and take no position on the utilities' proposed numeric DSM goals. Order No. PSC-99-1381-FOF-EG, issued July 19, 1999, approved the stipulation between LEAF and Gulf in Docket No. 971006-EG. Order No. PSC-99-1412-S-EG, issued July 23, 1999, approved the stipulation between LEAF and FPL in Docket No. 971004-EG. Order No. PSC-99-1585-S-EG, issued August 13, 1999, approved the stipulation between LEAF and TECO in Docket No. 971007-EG.

In 1994, after lengthy hearings, the Commission established numeric goals for the IOUs based on DSM measures which passed the Rate Impact Measure (RIM) test. Intervenors to the prior goals dockets, LEAF and the Department of Community Affairs (DCA), argued that DSM measures which passed the Total Resource Cost (TRC) test alone but fail RIM should be used to establish goals. The Commission found in Order No. PSC-94-1313-FOF-EG, issued October 25, 1994, that:

. . . goals based on measures that pass TRC but not RIM would result in increased rates and would cause customers who do not participate in a utility DSM measure to subsidize customers who do participate. Since the record reflects that the benefits of adopting a TRC goal are minimal, we do not believe that increasing rates, even slightly, is justified.

However, we did not preclude utilities from including TRC programs in their demand side management portfolios. Order No. PSC-94-1313-FOF-EG further states:

Although we are setting goals based solely on RIM measures, we encourage utilities to evaluate implementation of TRC measures when it is found that the savings are large and the rate impacts are small. Some measures that may fall into this category are solar water heating, photovoltaics, high efficiency on-site cogeneration, renewable resources, end-use natural gas and commercial lighting.

Utilities are free to file whatever portfolio of programs they wish, including TRC programs, in order to meet their goals. Demand and energy savings achieved through Commission approved TRC programs (including programs approved for incentives and lost revenue recovery) shall be counted toward each utility's RIM based goal.

Order No. PSC-94-1313-FOF-EG also included our decision regarding penalties for those utilities who fail to achieve their DSM goals:

Any utility that does not achieve its goal shall be either penalized or have programs prescribed to it in a manner to be determined by this Commission on a case-by-case basis.

Overall, the level of each utility's demand and energy goals is lower than the goals approved by the Commission in 1994. The primary reason for decreased numeric goals is that the cost of new generating units has dropped substantially in the last five years. Without a corresponding decrease in the cost of delivering DSM, the result is that fewer DSM programs are cost-effective. In addition, some existing DSM programs are approaching saturation levels. This has reduced the market potential of some DSM measures.

For the same reasons noted above, the utilities have failed to meet some of the existing numeric goals set in 1994. Utilities have had to modify existing DSM programs, primarily by reducing rebates and incentives to customers, to keep them cost-effective. This resulted in less than forecasted participation in utility DSM programs. The savings of most DSM measures, with the exception of load management or any other utility controlled measure, are estimated using engineering models. Measuring actual savings is a costly, time consuming exercise which the IOUs attempt on a limited basis. This exercise, however, is not completely precise.

For these reasons, we are not proposing any penalties at this time.

A. FPL's Evaluation of DSM Measures

FPL evaluated approximately 230 DSM measures for this docket. This list consisted primarily of measures evaluated during the last goals docket. A multi-step evaluation process, including tests for cost-effectiveness, were then performed. Those measures with a RIM and Participant test ratio greater than 1.0 were used to develop the savings potential. All potential DSM measures were evaluated against a base case, supply-side only expansion plan. As a result of FPL's analysis, the savings from 47 DSM measures were summed to arrive at the proposed numeric goals.

B. FPC's Evaluation of DSM Measures

FPC evaluated approximately 120 DSM measures, consisting essentially of the list of measures evaluated in the last goals docket. FPC's evaluation considered the issues and end-use categories specified in Rule 25-17.0021(3), Florida Administrative Code. All potential DSM measures were evaluated against a base case, supply-side only expansion plan for cost-effectiveness using the RIM, TRC, and Participant tests. From this analysis, ten residential and twelve commercial/industrial DSM measures were found to be cost-effective. The seasonal demand and annual energy savings associated with these cost-effective measures were summed by market segment to arrive at FPC's proposed goals.

C. Gulf's Evaluation of DSM Measures

Gulf evaluated approximately 120 DSM measures for this docket. These evaluated measures consist of the same measures Gulf evaluated in the last goals docket, along with new measures suggested by parties for which Florida-specific data was available. Gulf updated the financial assumptions and the estimated demand and energy savings for these measures where more recent data was available. All potential DSM measures were evaluated alongside supply-side measures in an integrated resource plan (IRP) that minimized total cost. For each of the five residential and six commercial/ industrial DSM measures included in Gulf's IRP, the seasonal demand and annual energy savings were added to arrive at Gulf's proposed goals.

D. TECO'S Evaluation of DSM Measures

TECO evaluated approximately 267 DSM measures which were determined to be potential utility programs in the last goals docket, measures for which it currently offers programs, measures which were designated in the last goals docket as having potential for inclusion in the building code, and measures suggested by parties for which Florida-specific data was available. These measures were then analyzed for cost-effectiveness, and those passing the RIM, TRC, and Participant tests were used in determining TECO's proposed numeric goals.

E. Treatment of Non-Firm Capacity

The treatment of non-firm capacity is an issue in Docket No. 981890-EU, an open docket investigating Peninsular Florida's reserve margins. If the Commission adjusts the amount of allowable non-firm resources for each utility as a result of a decision in the reserve margin docket, a corresponding adjustment in the affected utility's numeric goals should also be made.

Based on the positions taken by the parties in their prehearing statements, there is no disagreement as to the appropriate numeric conservation goals for any utility. Therefore, the matter will be presented to the Commission as a stipulation.

II. APPROPRIATE NUMERIC DEMAND AND ENERGY CONSERVATION GOALS

Having considered the evidence, the positions of the parties, and staff's recommendation, we find that FPL's proposed residential winter demand, summer demand, and annual energy conservation goals for the period 2000-2009 as set forth in the following table, are reasonable and shall be approved:

FPL's Residential Conservation Goals			
Year	Summer MW	Winter MW	Annual gWh
2000	75.5	91.6	91.9
2001	126.5	139.0	178.3
2002	169.4	170.0	267.1
2003	212.8	200.4	357.3
2004	256.6	230.1	448.9
2005	302.0	260.6	544.2
2006	347.0	289.0	640.9
2007	392.6	317.2	739.3
2008	439.4	345.7	840.3
2009	485.9	372.4	943.2

Having considered the evidence, the positions of the parties, and staff's recommendation, we find that FPL's proposed commercial/industrial winter demand, summer demand, and annual energy conservation goals for the period 2000-2009 as set forth in the following table, are reasonable and shall be approved:

FPL's Commercial/Industrial Conservation Goals			
Year	Summer MW	Winter MW	Annual gWh
2000	46.2	20.5	68.5
2001	73.3	32.2	97.6
2002	99.6	44.1	126.4
2003	126.6	56.8	157.1
2004	153.8	70.1	188.8
2005	181.6	84.2	222.6
2006	207.2	97.1	254.9
2007	232.4	109.8	285.7
2008	257.2	122.2	315.3
2009	278.8	133.0	343.4

Florida Power Corporation - 971005-EG

Having considered the evidence, the positions of the parties, and staff's recommendation, we find that FPC's proposed residential winter demand, summer demand, and annual energy conservation goals for the period 2000-2009 as set forth in the following table, are reasonable and shall be approved:

FPC's Residential Conservation Goals			
Year	Summer MW	Winter MW	Annual gWh
2000	10	30	15
2001	20	64	32
2002	32	102	50
2003	45	142	69
2004	58	185	88
2005	72	229	108
2006	85	271	127
2007	99	312	147
2008	112	352	166
2009	125	389	185

Having considered the evidence, the positions of the parties, and staff's recommendation, we find that FPC's proposed commercial/industrial winter demand, summer demand, and annual energy conservation goals for the period 2000-2009 as set forth in the following table, are reasonable and shall be approved:

FPC's Commercial/Industrial Conservation Goals			
Year	Summer MW	Winter MW	Annual gWh
2000	4	4	2
2001	8	7	4
2002	11	11	6
2003	15	15	8
2004	19	18	10
2005	23	22	12
2006	26	26	13
2007	30	30	15
2008	34	33	17
2009	38	37	19

Gulf Power Company - 971006-EG

Having considered the evidence, the positions of the parties, and staff's recommendation, we find that Gulf's proposed residential winter demand, summer demand, and annual energy conservation goals for the period 2000-2009 as set forth in the following table, are reasonable and shall be approved:

Gulf's Residential Conservation Goals			
Year	Summer MW	Winter MW	Annual gWh
2000	22.3	26.0	16.7
2001	43.1	50.0	31.8
2002	67.9	78.7	49.8
2003	89.0	103.2	65.2
2004	107.5	124.6	78.9
2005	123.2	142.9	90.8
2006	135.1	156.6	99.9
2007	147.0	170.4	109.0
2008	155.0	179.6	115.4
2009	163.0	188.9	121.9

Having considered the evidence, the positions of the parties, and staff's recommendation, we find that Gulf's proposed commercial/industrial winter demand, summer demand, and annual energy conservation goals for the period 2000-2009 as set forth in the following table, are reasonable and shall be approved:

Gulf's Commercial/Industrial Conservation Goals			
Year	Summer MW	Winter MW	Annual gWh
2000	46.0	36.1	2.1
2001	47.4	37.3	4.2
2002	48.7	38.4	6.2
2003	50.0	39.6	8.3
2004	51.4	40.7	10.4
2005	52.7	41.8	12.5
2006	54.0	43.0	14.5
2007	55.3	44.1	16.6
2008	56.7	45.3	18.7
2009	58.0	46.4	20.8

Tampa Electric Company - 971007-EG

Having considered the evidence, the positions of the parties, and staff's recommendation, we find that TECO's proposed residential winter demand, summer demand, and annual energy conservation goals for the period 2000-2009 as set forth in the following table, are reasonable and shall be approved:

TECO's Residential Conservation Goals			
Year	Summer MW	Winter MW	Annual gWh
2000	5.8	16.7	10.3
2001	11.1	32.2	20.0
2002	16.1	46.3	29.0
2003	20.7	59.2	37.5
2004	25.0	70.7	45.3
2005	28.8	81.0	52.5
2006	32.2	90.0	59.1
2007	35.3	97.7	65.1
2008	38.0	104.1	70.5
2009	40.3	109.1	75.3

Having considered the evidence, the positions of the parties, and staff's recommendation, we find that TECO's proposed commercial/industrial winter demand, summer demand, and annual energy conservation goals for the period 2000-2009 as set forth in the following table, are reasonable and shall be approved:

TECO's Commercial/Industrial Conservation Goals			
Year	Summer MW	Winter MW	Annual gWh
2000	3.5	1.5	12.9
2001	6.9	3.0	25.7
2002	10.4	4.5	38.6
2003	13.5	5.9	50.3
2004	16.7	7.3	61.9
2005	19.9	8.7	73.6
2006	22.8	10.0	84.1
2007	25.8	11.3	94.5
2008	28.4	12.4	104.9
2009	30.8	13.4	114.1

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power & Light Company's proposed residential winter demand, summer demand, and annual energy conservation goals for the period 2000-2009 as set forth in the body of this Order shall be approved. It is further

ORDERED that Florida Power & Light Company's proposed commercial/industrial winter demand, summer demand, and annual energy conservation goals for the period 2000-2009 as set forth in the body of this Order shall be approved. It is further

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ORDERED that Florida Power Corporation's proposed residential winter demand, summer demand, and annual energy conservation goals for the period 2000-2009 as set forth in the body of this Order shall be approved. It is further

ORDERED that Florida Power Corporation's proposed commercial /industrial winter demand, summer demand, and annual energy conservation goals for the period 2000-2009 as set forth in the body of this Order shall be approved. It is further

ORDERED that Gulf Power Company's proposed residential winter demand, summer demand, and annual energy conservation goals for the period 2000-2009 as set forth in the body of this Order shall be approved. It is further

ORDERED that Gulf Power Company's proposed commercial /industrial winter demand, summer demand, and annual energy conservation goals for the period 2000-2009 as set forth in the body of this Order shall be approved. It is further

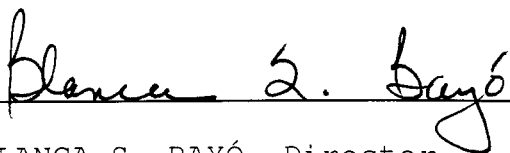
ORDERED that Tampa Electric Company's proposed residential winter demand, summer demand, and annual energy conservation goals for the period 2000-2009 as set forth in the body of this Order shall be approved. It is further

ORDERED that Tampa Electric Company's proposed commercial /industrial winter demand, summer demand, and annual energy conservation goals for the period 2000-2009 as set forth in the body of this Order shall be approved. It is further

ORDERED that these dockets shall be closed.

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By ORDER of the Florida Public Service Commission this 1st
day of October, 1999.



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 120.569(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.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/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 after the issuance 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.