

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of demand-side
management plan of Gulf Power Company.

DOCKET NO. 100154-EG
ORDER NO. PSC-10-0608-PAA-EG
ISSUED: October 4, 2010

The following Commissioners participated in the disposition of this matter:

NANCY ARGENZIANO, Chairman
LISA POLAK EDGAR
NATHAN A. SKOP
ART GRAHAM
RONALD A. BRISÉ

NOTICE OF PROPOSED AGENCY ACTION ORDER
DENYING DEMAND-SIDE MANAGEMENT PLAN AND
APPROVING SOLAR PILOT PROGRAMS

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 (F.A.C.).

BACKGROUND

As required by the Florida Energy Efficiency and Conservation Act (FEECA), Sections 366.80 through 366.85 and 403.519, Florida Statutes (F.S.), we adopted annual goals for seasonal peak demand and annual energy consumption for the FEECA Utilities. These include Florida Power & Light Company (FPL), Progress Energy Florida, Inc. (PEF), Tampa Electric Company (TECO), Gulf Power Company (Gulf), Florida Public Utilities Company (FPUC), JEA, and Orlando Utilities Commission (OUC).

Pursuant to Rule 25-17.008, F.A.C., in any conservation goal setting proceeding, we require each FEECA utility to submit cost-effectiveness information based on, at a minimum, three tests: (1) the Participants Test, (2) the Rate Impact Measure (RIM) Test, and (3) the Total Resource Cost (TRC) Test. The Participants Test measures program cost-effectiveness to the participating customer. The RIM Test measures program cost-effectiveness to the utility's overall rate payers, taking into consideration the cost of incentives paid to participating customers and lost revenues due to reduced energy sales that may result in the need for a future rate case. The TRC Test measures total net savings on a utility system-wide basis. In past goal setting proceedings, we established conservation goals based on measures that pass both the Participants Test and the RIM Test.

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FPSC-COMMISSION CLERK

The 2008 Legislative Session resulted in several changes to the FEECA Statute, and the Commission's goal-setting proceeding was the first implementation of these modifications. By Order No. PSC-09-0855-FOF-EG,¹ we established annual numeric goals for summer peak demand, winter peak demand, and annual energy conservation for the period 2010 through 2019, based upon an unconstrained Enhanced-Total Resource Test (E-TRC) for the investor-owned utilities (IOUs). The E-TRC Test differs from the conventional TRC Test by taking into consideration the estimated additional costs imposed by the potential regulation of greenhouse gas emissions. In addition, the numeric impact of certain measures with a payback period of two years or less, were also included in the goals. Further, the IOUs subject to FEECA were authorized to spend up to 10 percent of their historic expenditures through the Energy Conservation Cost Recovery (ECCR) clause as an annual cap for pilot programs to promote solar water heating (Thermal) and solar photovoltaic (PV) installations.

On January 14, 2010, Gulf filed a Motion for Reconsideration of our decision in Docket No. 080408-EI. Order No. PSC-10-0198-FOF-EG² denied Gulf's Motion for Reconsideration. On March 30, 2010, Gulf filed a petition requesting approval of its Demand-Side Management (DSM) Plan pursuant to Rule 25-17.0021, F.A.C.

On July 14, 2010, the SACE filed comments on the FEECA Utilities' DSM Plans. These comments were amended on August 3, 2010, to include comments regarding FPUC. No other intervenors filed comments. On July 28, and August 12, 2010, PEF and Gulf, respectively, filed responses to SACE's comments.

We have jurisdiction over this matter pursuant to Sections 366.80 through 366.85 and 403.519, F.S.

DEMAND-SIDE MANAGEMENT PLAN

By Order No. PSC-09-0855-FOF-EG, we established annual goals for the FEECA utilities for the period 2010 through 2019. Gulf's approved goals are divided into residential and commercial/industrial, with each of these further subdivided into three categories: summer peak demand, winter peak demand, and annual energy. Gulf is responsible for meeting its required conservation goals, yet the projections provided by the Company show that they plan to fail in a number of years.

Order No. PSC-09-0855-FOF-EG, set annual, not aggregate or cumulative, goals for conservation in a total of six areas. As detailed below in Table 1, Gulf's proposed DSM Plan is not projected to meet the Company's annual residential demand and energy goals in multiple years. Similarly, Table 2 shows that the Company's Plan is not projected to meet all of its annual commercial/industrial energy goals.

¹ See Order No. PSC-09-0855-FOF-EG, issued December 30, 2009, in Docket No. 080410-EG, In re: Commission review of numeric conservation goals (Gulf Power Company).

² See Order No. PSC-10-0198-FOF-EG, issued March 31, 2010, in Docket No. 080410-EG, In re: Commission review of numeric conservation goals (Gulf Power Company).

Table 1 – Comparison of Residential Goals and Projected Savings

Year	Summer (MW)		Winter (MW)		Annual (GWh)	
	Commission Approved Goal	Gulf Projected Savings	Commission Approved Goal	Gulf Projected Savings	Commission Approved Goal	Gulf Projected Savings
2010	7.5	5.0	5.9	5.9	35.0	15.4
2011	8.3	10.6	6.5	11.5	37.6	40.1
2012	9.4	13.6	7.4	14.5	40.6	54.5
2013	10.5	17.0	8.5	17.2	43.8	57.3
2014	11.7	19.4	9.5	19.0	46.8	65.1
2015	12.8	18.9	10.9	18.6	50.2	63.2
2016	14.0	17.0	12.1	17.0	53.6	58.5
2017	14.7	16.0	12.7	16.4	55.4	55.2
2018	14.9	15.2	13.3	15.9	56.2	52.7
2019	15.1	14.4	13.7	15.5	56.7	50.3
Total	118.9	138.8	100.5	143.2	475.9	478.0

Table 2 - Comparison of Commercial/Industrial Goals and Projected Savings

Year	Summer (MW)		Winter (MW)		Annual (GWh)	
	Commission Approved Goal	Gulf Projected Savings	Commission Approved Goal	Gulf Projected Savings	Commission Approved Goal	Gulf Projected Savings
2010	1.2	6.2	0.5	3.4	3.2	2.6
2011	1.6	2.1	0.6	1.1	5.6	5.6
2012	2.1	2.8	0.8	1.4	7.7	7.5
2013	2.4	3.9	0.9	1.8	9.5	10.4
2014	2.7	4.4	1.0	2.1	10.8	11.8
2015	2.9	4.9	1.0	2.1	11.7	13.0
2016	3.0	4.9	1.2	2.1	12.3	12.8
2017	3.2	4.5	1.1	2.0	12.7	11.9
2018	3.1	4.4	1.1	1.9	12.5	11.6
2019	3.1	4.0	1.1	1.8	11.9	10.7
Total	25.3	42.1	9.3	19.7	97.9	97.9

Gulf's Proposed DSM Plan does not satisfy the Company's annual numeric goals set by this Commission. It appears that Gulf will not meet the annual goals which may result in financial penalties or other appropriate action by this Commission. Therefore, consistent with Section 366.82(7), F.S., we find that Gulf shall file specific program modifications or additions that are needed in order for the 2010 DSM Plan to be in compliance with Order No. PSC-09-0855-FOF-EG within 30 days of this Order. In Order No. PSC-09-0855-FOF-EG we directed

the utilities to file pilot programs focusing on encouraging solar water heating and solar PV technologies. As part of its DSM filing, Gulf included savings from its solar pilot program to meet its summer and winter peak demand and energy goals. Because the solar pilot programs were mandated by this Commission, the compliance filing shall also include savings associated with Gulf's solar pilot programs.

As previously stated, since Gulf's proposed DSM Plan does not satisfy the Company's numeric conservation goals set forth in Order No. PSC-09-0855-FOF-EG, Gulf shall file a modified DSM Plan. We are not approving any additional DSM programs at this time. We will evaluate and make a final determination regarding the cost-effectiveness of any new or modified programs when we review Gulf's modified DSM Plan.

SOLAR PILOT PROGRAMS

Section 366.82(2), F.S. requires us to establish goals for demand-side renewable energy systems. In order to meet the intent of the Legislature, we directed the utilities to file pilot programs focusing on encouraging solar water heating and solar PV technologies in Order No. PSC-09-0855-FOF-EG. This Order also directed the IOUs to file pilot programs focused on encouraging solar water heating and solar PV technologies subject to an expenditure cap of 10 percent of the average annual recovery through the ECCR clause in the previous five years. The Commission-approved annual expense cap for Gulf is \$900,338. The projected annual expenditures for Gulf's pilot programs do not exceed the approved annual expense cap as shown in Table 3 below.

Table 3 - Solar Pilot Program Costs

Program Name	Expenditures (\$)	Percent of Funds (%)
Solar Thermal Water Heating for Low-Income	\$75,000	8%
Solar Thermal Water Heating Rebate	\$100,000	11%
Solar for Schools	\$140,000	16%
Solar PV Rebate	\$435,000	48%
Administrative Costs	\$150,338	17%
Total	\$900,338	100%

As a pilot program, the utility shall collect information relating to customer acceptance rates, energy production, and other data to refine potential future program offerings for solar renewable technologies. Gulf's demand-side renewable energy portfolio is comprised of the following pilot programs:

Solar Thermal Water Heating for Low-Income – Under this program, Gulf will facilitate the installation of solar thermal water heating systems in qualifying low-income housing. Gulf anticipates funding up to 15 low-income installations per year.

Solar Thermal Water Heating – This program will be a continuation of Gulf's Solar Thermal Water Heating Pilot program approved by this Commission in December 2008.

Assuming full enrollment at an incentive level of \$1,000 per installation, this funding will facilitate installation of 100 solar thermal water heating systems across Gulf's service area annually.

Solar for Schools – Gulf's Solar for Schools program will provide capital funding to supplement deployment of PV systems up to 10 kW in qualifying public education facilities served by Gulf. Gulf's program will also offer educational benefits by providing resources to enable the data collected from the installed systems to be used in the schools' energy curriculum. Gulf proposes to provide the capital for the installation of all the PV system equipment needed to support at least one school in each county that has a qualifying school served by Gulf.

Solar PV – Gulf's Solar PV Program will provide Gulf's residential and commercial customers an incentive to encourage the installation of a solar energy system on their home or business. Assuming full enrollment at an incentive level of \$2/Watt of installed capacity, this funding will facilitate approximately 220 kW of small PV installations across Gulf's service area annually.

Allocation of Funds

Because the costs of these pilot programs are shared by all customers, our staff looked at whether or not the programs offered opportunities for participation by all customer classes. Gulf offers programs for residential, low-income, commercial, and public facilities. The allocation of funds to each of the programs is listed in Table 3 above. Our staff also looked at the allocation of funds between solar PV and solar water heating programs. As shown in Table 4, approximately 64 percent of the funding goes towards solar PV technology and 19 percent towards solar thermal installations.

Comparison With Other Utilities

Order No. PSC-09-0855-FOF-EG provided no guidance on how the annual expense cap was to be allocated. While each utility has complied with Order No PSC-09-0855-FOF-EG, the renewable pilot programs of each of the IOUs varies in the weight it provides to the two major types of solar renewable resources, photovoltaic (PV) and thermal water heating, as outlined in the Table 4 below. However, all IOUs generally tend to allocate a greater percentage of funding to PV applications.

Table 4 - Percentage of Funds Allocated by Technology Type³

Company	FPL	PEF	TECO	GULF	FPUC
PV	41.0%	67.3%	86.7%	63.9%	Not Available
Thermal	37.6%	20.9%	13.3%	19.4%	
The percentages above do not sum to 100% as administrative, education, and R&D costs are excluded.					

The distribution of funds between solar installations intended for public facilities, such as schools, and privately owned facilities, including residential housing and commercial properties, is another area of variation among the utilities. Table 5 below, illustrates these differences, which overall favor private installations.

Table 5 - Percentage of Funds Allocated by Ownership Type

Company	FPL	PEF	TECO	GULF	FPUC
Public	7.2%	31.7%	10.4%	15.5%	Not Available
Private	68.9%	56.5%	89.6%	67.8%	
The percentages above do not sum to 100% due to administrative and education costs being excluded.					

The variations between utilities represent different service territories and program designs. Because of the variations between the utilities, we direct our staff to conduct a workshop to address how the distribution of funds should be allocated and to determine the appropriate split between these technological and customer categories.

Conclusion

Gulf's proposed DSM Plan includes pilot programs to encourage the development of solar water heating and solar PV technologies. The cost of the proposed pilot programs is within the annual expenditure cap specified by Order No. PSC-09-0855-FOF-EG. Accordingly, we find that the solar pilot programs included in Gulf's proposed DSM Plan is hereby approved. However, the allocation of funds to: (1) solar thermal versus solar PV, (2) private customers versus public institutions, and (3) low-income residential varies widely among the investor-owned utilities. Therefore, we direct our staff to conduct a workshop to address how the distribution of funds should be allocated and to determine the appropriate split between these technological and customer categories.

³ Refer to Docket No. 100154-EG – In re: Petition of approval of demand-side management plan of Gulf Power Company. Docket No. 100155-EG – In re: Petition of approval of demand-side management plan of Florida Power & Light Company. Docket No. 100158-EG – In re: Petition of approval of demand-side management plan of Florida Public Utilities Company. Docket No. 100159-EG – In re: Petition of approval of demand-side management plan of Tampa Electric Company. Docket No. 100160-EG – In re: Petition of approval of demand-side management plan of Progress Energy Florida, Inc.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Gulf Power Company's Proposed Demand-Side Management Plan does not satisfy the numeric conservation goals set forth in Order No. PSC-09-0855-FOF-EG. It is further

ORDERED that Gulf Power Company shall file specific program modifications or additions that are needed in order for the 2010 DSM Plan to be in compliance with Order No. PSC-09-0855-FOF-EG within 30 days of this Order. It is further

ORDERED that Gulf Power Company's solar pilot programs contained in its Proposed Demand-Side Management Plan are hereby approved as set forth herein. It is further

ORDERED that the solar pilot programs shall be effective on the date of the Consummating Order. It is further

ORDERED that all attachments contained herein are incorporated by reference. It is further

ORDERED that if a protest is filed, the solar pilot programs shall not be implemented until after the resolution of the protest. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall remain open in order for Gulf Power Company to refile its Demand-Side Management Plan within 30 days from the date of this Order.

By ORDER of the Florida Public Service Commission this 4th day of October, 2010.



ANN COLE
Commission Clerk

(S E A L)

KEF

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 that is available under Section 120.57, 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 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.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on October 25, 2010.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

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

Description of Gulf's DSM Portfolio

RENEWABLE PROGRAMS:

Solar for Schools

Gulf's Solar for Schools program will provide capital funding to supplement deployment of PV systems up to 10 kW in qualifying public education facilities served by Gulf.

Solar Thermal Water Heating

Gulf's Solar Thermal Water Heating Program will provide Gulf residential customers up to a \$1,000 incentive to install certified STWH systems. The STWH systems to be installed will offer customers an opportunity to reduce their hot water energy needs otherwise served by natural gas or electric resistance heating. The systems operate in conjunction with a back-up natural gas or electric resistance source of hot water to ensure an uninterrupted supply of hot water to the customer.

Solar PV

Gulf's Solar PV Program will provide Gulf residential and commercial customers an incentive to encourage the installation of a solar energy system on their home or business. The incentive value will be up to \$2/watt with a maximum incentive per customer of \$10,000. Qualifying systems will be designed to offset part or all of a customer's energy needs and will help customers save money on their energy bills.

Solar Thermal Water Heating for Low-Income Housing

Under this program, Gulf will facilitate the installation of STWH systems in qualifying low-income housing. Gulf anticipates funding up to fifteen low-income installations per year. Specific eligibility requirements for the program will be provided in the Program Participation Standards.