

FLORIDA PUBLIC SERVICE COMMISSION  
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Tallahassee, Florida 32399-0850

M E M O R A N D U M

June 17, 1999

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RECORDS AND REPORTING

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

FROM: DIVISION OF ELECTRIC & GAS (HAFF) *msw DJ*  
DIVISION OF LEGAL SERVICES (PAUGH) *RUE For LJP JDJ*

RE: DOCKET NO. 971006-EG, ADOPTION OF NUMERIC CONSERVATION GOALS BY GULF POWER COMPANY

AGENDA: 06/29/99 - REGULAR AGENDA - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\EAG\WP\971006-b.RCM

ATTACHMENT NOT PART OF THE ELECTRONICALLY TRANSMITTED VERSION.

CASE BACKGROUND

On August 6, 1997, the Commission opened Docket No. 971006-EG to set numeric demand-side management (DSM) goals for Gulf Power Company. A series of staff workshops was held to assist in identifying issues for this docket. Gulf filed direct testimony, including proposed numeric DSM goals, on February 1, 1999. The date for intervenors to file testimony was extended previously, to June 25, 1999. On June 10, 1999, Legal Assistance Foundation (LEAF), an intervenor, requested a second extension of time to file its testimony. At this time, the Commission has not approved a second extension of time for LEAF's testimony.

On June 11, 1999, Gulf and LEAF filed a Joint Motion to Approve Stipulation (see Attachment A). If the stipulation is approved by the Commission, LEAF has agreed to withdraw from this docket and take no position on Gulf's proposed numeric DSM goals.

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In return, Gulf has agreed to investigate and, if feasible, develop various energy-efficiency measures such as an enhanced low income audit program, green pricing, and project-specific energy efficiency measures for commercial / industrial customers.

This recommendation only addresses the merits of the stipulation between Gulf and LEAF. The technical merits of Gulf's proposed numeric DSM goals will be addressed at the hearing currently scheduled for August 18-20, 1999. The energy-efficiency measures proposed by Gulf in the stipulation will be evaluated in a future docket on Gulf's DSM Plan.

**DISCUSSION OF ISSUES**

**ISSUE 1:** Should the Joint Motion to Approve Stipulation, filed by Gulf Power Company and the Legal Environmental Assistance Foundation, be approved?

**RECOMMENDATION:** Yes.

**STAFF ANALYSIS:** This recommendation only addresses the merits of the stipulation between Gulf and LEAF. The technical merits of Gulf's proposed numeric DSM goals will be addressed at the hearing currently scheduled for August 18-20, 1999. The energy-efficiency measures proposed by Gulf in the stipulation will be evaluated in a future docket on Gulf's DSM Plan.

If the Joint Motion to Approve Stipulation is approved by the Commission, LEAF has agreed to withdraw from this docket and take no position on Gulf's proposed numeric DSM goals. In return, Gulf has agreed to the following actions:

- (1) Develop and seek Commission approval of an enhanced Low Income Energy Audit Program by the first quarter of 2000.
- (2) Investigate and, if feasible, implement a portfolio of green pricing options. Gulf plans to purchase energy from new renewable sources and sell to program participants at a cost equal to Gulf's current residential rate plus the additional incremental cost to purchase such energy.

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- (3) Seek Commission approval, in the upcoming docket to approve Gulf's DSM Plan, for the following program initiatives:
  - a. Good Cents Home Program / "Energy Star"
  - b. Affordable Housing Initiative
- (4) Develop and market, through the existing Energy Efficiency Services Program, energy efficiency options to commercial / industrial customers. These options would be self-sufficient on the basis of their cost-effectiveness to each individual participant. No contribution would be made by non-participants through the Energy Conservation Cost Recovery (ECCR) Clause.

The stipulation is consistent with applicable laws and rules. Sections 366.80-366.85 and 403.519, Florida Statutes, are collectively known as the Florida Energy Efficiency and Conservation Act (FEECA). FEECA is summarized in Rule 25-17.001(2), Florida Administrative Code:

The Florida Energy Efficiency and Conservation Act requires increasing the efficiency of the electric systems of Florida, increasing the conservation of expensive resources, such as petroleum fuels, reducing the growth rate of weather sensitive peak demand, and reducing and controlling the growth rate of kilowatt hour consumption to the extent cost effective. (Emphasis added)

The stipulation is a reasonable resolution of the likely issues that may arise between the parties in this docket. By this stipulation, LEAF does not necessarily endorse Gulf's numeric goals. However, LEAF will not have a position on whether the goals should be approved.

The stipulation is in the public interest. The following statement, from page 1 of the stipulation, contains the general position of Gulf and LEAF on this subject:

LEAF and Gulf wish to avoid the time, expense, and uncertainty associated with adversarial litigation in this docket in keeping with the Commission's long

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standing practice of encouraging parties to contested proceedings to settle issues whenever possible.

(Stipulation, page 1)

In summary, the stipulation between Gulf and LEAF is consistent with applicable laws and rules, is a reasonable resolution of the likely issues that may arise between the parties in this docket, and is in the public interest. For these reasons, staff recommends that the Joint Motion to Approve Stipulation filed by Gulf and LEAF be approved by the Commission.

**ISSUE 2:** Should this docket be closed?

**RECOMMENDATION:** No.

**STAFF ANALYSIS:** A hearing is currently scheduled in this docket for August 18-20, 1999. The final order is due to become effective on December 8, 1999. This docket should not be closed until after the final order becomes effective.

One Energy Place  
Pensacola, Florida 32520

850.444.6111



June 11, 1999

Ms. Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee FL 32399-0870

Dear Ms. Bayo:

RE: Docket No. 990325-EI  
Docket No. 971006-EI

Enclosed for filing are an original and fifteen copies of the Stipulation entered into between the Legal Environmental Assistance Foundation, Inc. and Gulf Power Company to be filed in the above dockets.

Sincerely,

A handwritten signature in cursive script that reads "Susan D. Ritenour".

Susan D. Ritenour  
Assistant Secretary and Assistant Treasurer

lw

Enclosures

cc: Beggs and Lane  
Jeffrey A. Stone, Esquire  
Hopping Green Sams & Smith  
Richard D. Melson, Esquire

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

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In re: Adoption of numeric Conservation  
goals for Gulf Power Company.

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Docket No. 971006-EG

**STIPULATION**

THIS STIPULATION is entered into between the Legal Environmental Assistance Foundation, Inc. ("LEAF") and Gulf Power Company ("Gulf Power", "Gulf" or "the Company"), pursuant to Section 120.57(4), Florida Statutes, for the purposes of an informal disposition of their respective interests in the above-styled proceedings. LEAF and Gulf wish to avoid the time, expense and uncertainty associated with adversarial litigation in these dockets in keeping with the Commission's long standing practice of encouraging parties to contested proceedings to settle issues whenever possible. Accordingly, without prejudice as to either LEAF's or Gulf's position in any other proceeding before this Commission, present or future or any other venue, LEAF and Gulf stipulate and agree as follows:

1. In consideration of the actions to be undertaken by Gulf pursuant to paragraph 2 below, LEAF agrees to withdraw from this docket upon approval of this stipulation in accordance with paragraph 4 below.
2. In consideration of the obligation undertaken by LEAF pursuant to paragraph 1 above, Gulf agrees to the following:
  - a. Gulf will develop and submit for Commission approval an enhanced Low Income Audit Program, described in Attachment 1, as an extension of

Gulf's Residential Energy Audit program with a planned effective date in the first quarter of 2000.

- b. As described more fully in Attachment 2, Gulf will investigate and, if feasible, implement a portfolio of green pricing options under which Gulf would deliver (through purchase or construction through itself or an affiliated company) electric energy generated from new renewable resources and offer to sell such energy to its customers who elect to participate for an additional charge calculated to recover no more than Gulf's incremental costs to deliver such energy and related program expenses.
- c. Gulf will seek Commission approval to undertake the Program Initiatives described in Attachment 3 by including these initiatives in its programs or participation standards submitted in the subsequent proceeding to consider Gulf's DSM Plan for satisfying the conservation goals established in this proceeding.
- d. As described more fully in Attachment 4, Gulf (through itself or an affiliated company) will develop and market energy efficiency options through the Energy Efficiency Services Program to Gulf's Commercial/Industrial customers. These energy efficiency options will be offered as a self-sufficient business project on the basis of their cost-effectiveness to participating C/I customers, and will not depend on cost recovery from non-participating customers through the ECCR clause. This C/I Energy Efficiency Services Program is expected to produce

significant energy savings that will effectively supplement the cost-effective energy savings available from the C/I market segment reflected in Gulf's proposed energy goals.

3. This stipulation shall become null and void, and Gulf shall be relieved of any ongoing obligations pursuant to paragraph 2 above, in the event (a) the conservation goals established in this proceeding are, in Gulf's judgement, materially higher than those proposed by Gulf, or (b) any regulatory or legislative change substantially impairs Gulf's ability to recover its costs for the initiatives stated in paragraph 2, provided, however, that Gulf commits to make good faith efforts to recover such costs, including making reasonable modifications to facilitate cost recovery.
4. This stipulation is expressly conditioned upon approval in its entirety by the Commission no later than the date of the Prehearing Conference in Docket No. 971006-EG and shall be of no further force or effect if such approval is not granted.

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WHEREFORE, the Legal Environmental Assistance Foundation, Inc., and Gulf Power Company request that the Florida Public Service Commission accept and approve this stipulation.

Dated this 11<sup>th</sup> day of June, 1999.

**Legal Environmental Assistance  
Foundation, Inc.**

*Gail Kamaras*

**Debra Swim**  
Florida Bar Number 0336025  
**Gail Kamaras**  
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**Legal Environmental Assistance  
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**Attorneys for Gulf Power Company**

**Low Income Audit Program**

Gulf proposes to expand its offerings to low income customers by partnering with Weatherization Assistance Programs (WAPs) and Affordable Housing Providers (AHPs) within Gulf's service territory to increase participation in Gulf's Residential Audit program.

Gulf will work with the Florida Housing Coalition to identify and select two WAPs to initially participate. Gulf will train and contract with the selected WAPs to conduct audits in accordance with Gulf's Residential Audit Program standards.

WAPs will conduct audits of low income customer homes prior to providing weatherization assistance. Upon completion of the audit, the WAP will make a copy of the audit results and send it to Gulf with an invoice. Gulf will reimburse the agency for the audit at an amount not less than 90% of Gulf's avoided cost of conducting the audit. After two years, Gulf will evaluate the program. If Gulf finds that the program reduces utility staff time, increases the number of low income customers participating in the audit programs, and helps address high bill complaints and payment problems, by 2004, Gulf will offer all WAPs in its territory the opportunity to participate.

Gulf will provide audit training to AHPs (such as Salvation Army) so that they may become qualified to conduct Gulf's walk-through and mail-in audits for low income residential customers. For walk-through audits, the process would be similar to that for WAPs. For mail-in audits, the AHPs would help the customers complete the forms, mail them to Gulf, receive the computerized results, and take the results to the customer and explain energy management options.

To assure quality control, Gulf will audit the agencies' records annually. A sample of customer records would be chosen, a Gulf representative will review the documentation and make a field visit to the customers' homes to verify the documentation is accurate.

**Green Pricing Portfolio**

Gulf recently participated in a "green" energy research project that explored the market potential for "green" energy and tested response to a Photovoltaic (PV) rate rider under development. The research provided an understanding of the market potential and customer's willingness to pay for green energy. In addition, for targeting and communication purposes, the research project provided a profile of customers willing to pay for green energy.

Gulf agrees to provide LEAF, under a non-disclosure agreement, with the results of the research project once this stipulation is approved.

Gulf agrees to finalize and file by September 1, 1999, the PV rate rider under development. Gulf will recover no more than the company's incremental costs to deliver such energy and related program expenses.<sup>1</sup> If feasible, Gulf will (through itself or an affiliated company) add by purchase or construction a 500 kW PV unit by the year 2004.

Gulf will promote its green pricing portfolio through the use of bill inserts, direct mail and certain events such as Earth Day. Gulf will continue to promote its Solar for Schools program as part of its marketing plan for other offerings in its Green Pricing portfolio.

Gulf also agrees to continue to investigate customer interest in and the economic viability of additional green pricing offerings and, if determined by Gulf to be feasible, to design and implement such offerings within the Green Pricing Portfolio. These offerings will be in addition to the Solar for Schools program and the PV rate rider.

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<sup>1</sup> For purposes of this stipulation, the "incremental portion of Gulf's total Program costs" means the additional Program costs incurred by Gulf to provide Renewable Energy to Program participants over and above the fuel costs, purchased power capacity and energy costs, and any environmental cost recovery clause charges that Gulf would have incurred to provide the same amount of energy from conventional power supply resources.

**Program Initiatives**

**GoodCents Home Program/Energy Star**

The GoodCents Home program is an energy efficient new construction program that was developed in 1976. From 1976 to 1981 the program served as an internal program for Gulf and Southern electric system customers only. Beginning in 1982, the program was packaged and sold to utilities across the United States. Since that time, more than 270 utilities in 25 states have purchased the GoodCents Home program to meet their customers' energy conservation needs. Over 700,000 homes nation wide have been constructed to GoodCents standards.

On December 11, 1998, Gulf Power signed a Memorandum of Understanding with the Department of Energy (DOE) and the Environmental Protection Agency (EPA) to offer the Energy Star Home program to prospective builders in our service area. In an effort to keep the program flexible and cost effective for participating builders, Gulf plans to address each request for an Energy Star home individually by utilizing the Engage/ResFree '97 software (provided by the Florida Solar Energy Center) to calculate a HERS score. A HERS score of 86 must be achieved initially, prior to construction, to qualify as an Energy Star home. In many cases, a standard GoodCents home will also qualify as an Energy Star home by achieving a HERS score of 86 or greater. In the event the initial HERS score does not reach 86, Gulf will make recommendations to the home builder to incorporate additional GoodCents/Energy Star energy efficient features to increase the HERS score to a level of 86 or higher. This will allow the home to qualify as both a GoodCents Home and an Energy Star Home.

Currently, Gulf is actively pursuing qualified home energy raters to help facilitate the anticipated increase in field diagnostic tests required for the Energy Star certification. Based on present customer interest in the GoodCents home program, Gulf foresees a great customer interest in the GoodCents/Energy Star home program. The program will continue to serve as a tool to benefit customers, as well as, a tool for Gulf to educate builders on energy efficient construction.

Gulf will certify for 2000 a minimum of 3% of new homes through the GoodCents/Energy Star program. The percentage will increase to 20 percentage by the year 2009. The energy savings resulting from this program will supplement the level of cost effective energy savings available from the residential market segment reflected in Gulf's proposed demand-side management residential goals.

Gulf will provide LEAF with an annual report summarizing actual energy efficiency achievements of the GoodCents Home/Energy Star program that will include (1) the number of completed GoodCents homes, (2) the number of homes that qualified as an Energy Star home and (3) the estimated winter and summer kW, and annual kWh savings.

### **Affordable Housing Initiatives**

Gulf will identify the affordable housing builders (such as Habitat for Humanity) in its service area and will encourage them to attend education seminars and workshops related to energy efficient construction and to participate in the GoodCents Home program. Gulf will work with the Florida Energy Extension Service and other seminar sponsors offer a minimum of four seminars and/or workshops per year. Gulf will also work with the Florida Energy Extension Service and other sponsors to reduce or eliminate attendance fees for affordable housing providers.

## ATTACHMENT 4

### **Commercial/Industrial Energy Efficiency Services**

Gulf will develop and market energy efficiency options to Commercial/Industrial (C/I) customers through the Energy Efficiency Services Program, and will receive no support from non-participating customers through the ECCR clause. Current estimates indicate this program has the potential to achieve estimated energy savings of 40 gWh over the ten-year period from 2000 to 2009. These energy savings will supplement the level of cost-effective energy savings available from the C/I market segment reflected in Gulf's proposed demand-side management C/I goals.

Gulf will provide LEAF with an annual report summarizing actual C/I energy efficiency achievements that will include (1) the number of completed projects by end-use, (2) the winter and summer kW, and annual kWh savings, and (3) the number of new projects that are in progress (signed contracts) by end-use for the current year.

Gulf agrees to pursue this C/I energy efficiency program in good faith for so long as it remains a viable business venture. Gulf reserves the right to reduce or eliminate the program if, in Gulf's opinion, such action is warranted by sound business judgement

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Gulf Power Company )  
to determine need for proposed )  
electrical power plant in Bay County )  
\_\_\_\_\_ )


Docket No. 990325-EI

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished  
this 11th day of June 1999 by U.S. Mail or hand delivery to the following:

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Attorneys for Gulf Power Company

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Adoption of numeric Conservation Goals by Gulf Power Company )  
 )  
 )

Docket No. 971006-EG

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished this 11th day of June 1999 by U.S. Mail or hand delivery to the following:

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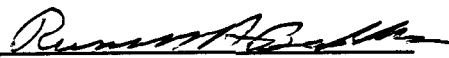
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