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BY HAND DELIVERY

Ann Cole, Director
Division of Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

Re: *In re: Commission review of numeric conservation goals (JEA),*
Docket No. 080413-EG

Dear Ms. Cole:

Enclosed for filing on behalf of JEA in the above docket are the original and fifteen copies of the following: Rebuttal Testimony of **Richard J. Vento**; and Rebuttal Testimony of **Bradley E. Kushner**.

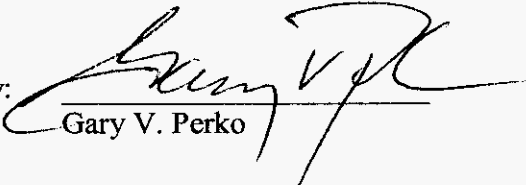
By copy of this letter, the enclosed documents have been furnished to the parties on the attached certificate of service.

Please acknowledge receipt and filing of the above by stamping the enclosed extra copies of the Petition and testimony and return them to me. If you have any questions concerning this filing, please contact me at 425-2359.

Thank you for your assistance in connection with this matter.

Very truly yours,

HOPPING GREEN & SAMS, P.A.

By: 
Gary V. Perko

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished to all counsel of record and interested parties as listed below by hand-delivery (*) or regular U.S. mail this 25 day of July, 2009.

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1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 REBUTTAL TESTIMONY OF RICHARD J. VENTO

3 ON BEHALF OF

4 JEA

5 DOCKET NO. 080413

6 JULY 30, 2009

7

8 **Q. Please state your name and business address.**

9 A. My name is Richard J. Vento. My business address is 21 West Church Street,
10 Jacksonville, Florida 32202.

11

12 **Q. By whom are you employed and in what capacity?**

13 A. I am employed by JEA. My current position is Director of Corporate Data
14 Integration.

15

16 **Q. Have you previously submitted testimony in this proceeding?**

17 A. Yes. I submitted pre-filed direct testimony on June 1, 2009

18

19 **Q. What is the purpose of your rebuttal testimony**

20 A. The purpose of my testimony is rebut the testimony of witnesses Spellman,
21 Wilson, Cavanagh, Mosenthal and Steinhurst regarding the following subjects:
22 (1) the appropriate tests for evaluating the cost-effectiveness of DSM measures;
23 (2) the DSM goals that witnesses Spellman and Steinhurst have recommended
24 for JEA; (3) Itron's Technical Potential Studies; (4) utilization of the two-year

1 pay-back period in JEA's analyses; (5) consideration of potential greenhouse gas
2 (GHG) costs in JEA's analyses; (6) Itron's cost-effectiveness evaluations; and
3 (7) witness Spellman's proposed funding set-asides for research regarding
4 demand side supply alternatives.

5

6 **Q. Are you sponsoring any exhibits to your testimony?**

7 A. No.

8

9 **APPROPRIATE COST-EFFECTIVENESS TESTS**

10

11 **Q. Do you agree with the assertions of Witnesses Spellman and Wilson that**
12 **use of the RIM test is inconsistent with the intent of Section 366.82, F.S.?**

13 A. No. Section 366.82, F.S., requires the PSC to consider, among other things, the
14 costs and benefits to the participating ratepayers as well as the general body of
15 ratepayers as a whole, including utility incentives and participant contributions.
16 However, Section 366.82 does not dictate which cost-effectiveness test must be
17 used to establish DSM goals. The Commission should use both the RIM and
18 Participants test in setting DSM goals. When used in conjunction with each
19 other, these tests fulfill the Commission's statutory obligations. Specifically, the
20 participant test includes all of the relevant benefits and costs that a customer
21 who is considering participating in a DSM measure would consider; whereas the
22 RIM test includes all of the relevant benefits and costs that all of the utility's
23 customers as a whole would incur if the utility implements a particular measure.

24

1 Because the RIM test ensures no impact to customers' rates, it is particularly
2 appropriate in establishing DSM goals for municipal utilities, such as
3 JEA. Local governing is a fundamental aspect of public power. It provides the
4 necessary latitude to make local decisions regarding the community's
5 investment in energy efficiency that best suit our local needs and values. Local
6 decisions are based on input from citizens who can speak out on electric power
7 issues at governing board meetings. State regulation regarding the appropriate
8 level of energy efficiency investment undercuts the local decision-making
9 processes that are the hallmark of municipal utilities. Accordingly, as the
10 Commission has recognized in prior proceedings, it is appropriate to set goals
11 based on RIM, but to defer to the municipal utilities' governing bodies to
12 determine the level of investment in any non-RIM based measures. *See, In re:*
13 *Adoption of Numeric Conservation Goals and Consideration of National Energy*
14 *Policy Act Standards (Section 111), Order No. PSC-95-0461-FOF-EG (April 10,*
15 1995).

16
17 **Q. Do you agree with Witness Cavanagh's allegation that the RIM test**
18 **discourages the adoption of most energy efficiency measures?**

19 A. No. The RIM test is a determinant of cost-effectiveness that identifies DSM
20 measures that do not increase rates. The intent of the RIM test is to identify
21 DSM measures that would increase rates more than supply-side alternatives.
22 Such measures should not be considered cost-effective. The RIM test is
23 therefore the appropriate test to use as the basis for establishing DSM goals
24 because such a screening process keeps customers' rates as low as possible.

1 **Q. Witness Spellman testified that the RIM test tends to limit investment in**
2 **energy efficiency programs, and is therefore not consistent with the current**
3 **FEECA statutes. Is this an accurate characterization of the RIM test?**

4 A. No. The RIM test screens out DSM measures that will increase customer rates,
5 and in doing so, accounts for costs and benefits to the ratepayers as a whole (as
6 required by the FEECA statutes). The RIM test eliminates DSM measures that
7 would result in utility rate increases for all ratepayers. Customers such as
8 renters who do not or cannot implement a DSM measure and therefore have no
9 corresponding benefit of reduced consumption to offset the rate increase will be
10 subject to increased utility bills. If the RIM test is not applied, the net result for
11 such a customer would be an increase in their electricity bills above what such
12 bills would have been if RIM testing had eliminated the measure.

13
14 **Q. Witness Spellman testifies that use of the TRC test rather than the RIM**
15 **and Participant tests will not likely have significant long-term impacts on**
16 **customers' rates. Do you agree with this conclusion?**

17 A. No. Witness Spellman's conclusions do not differentiate between DSM
18 measures that pass RIM and those that fail RIM, nor are they supported by any
19 sort of comprehensive analysis. As I have testified previously, the RIM test
20 should be used to evaluate the cost-effectiveness of a DSM measure. As shown
21 in Exhibit No. RJV-3 of my pre-filed direct testimony, customer rates are
22 estimated to increase by approximately 12.8 percent by 2019 based on the DSM
23 measures that fail RIM but pass the TRC and Participants test in Itron's
24 analyses. Such increases amount to annual customer bill increases of

1 approximately \$112 per year by 2014 and by \$257 dollars per year by 2019 for
2 the residential customer based on 1,200 kWh monthly consumption. While
3 witness Spellman may view this as an insignificant increase, customers who are
4 currently struggling to pay their utility bills would likely disagree.

5

6 **ALTERNATIVE DSM GOAL RECOMMENDATIONS**

7

8 **Q. Witness Spellman recommends that the Commission establish specific goals**
9 **for the various FEECA utilities. Do you agree with this suggestion?**

10 **A.** No. As I have stated previously, the RIM and Participant tests are the proper
11 tests to use for evaluating the cost-effectiveness of DSM measures and should be
12 used as the basis for establishing DSM goals. Witness Spellman's testimony
13 does not clearly explain the methodology he used in estimating achievable
14 potential. However, witness Spellman's suggestion of basing goals upon full
15 achievable potential as GDS quantifies it does not account for the impact to our
16 customers' rates that will result from mandating DSM measures that do not pass
17 the RIM test.

18

19 As discussed in my pre-filed direct testimony, Itron's cost-effectiveness analyses
20 indicated that none of the DSM measures analyzed passed the RIM test. Exhibit
21 No. __ [RJV-3] of my pre-filed direct testimony presents projected rate impacts
22 associated with the DSM reductions associated with the measures that passed
23 both the TRC and Participants tests in Itron's cost-effectiveness analyses. The
24 table presented below shows projected annual bill impacts to a residential

1 customer consuming 1,200 kWh per month based on adopting GDS’
 2 recommended cumulative energy goals (including the transition period) as
 3 presented in Exhibit RFS-21 (page 5 of 7) of the testimony of witness Spellman.
 4 The impacts shown in the table below were calculated by determining the annual
 5 ratios of the recommended savings per witness Spellman’s testimony to those
 6 projected by Itron for measures passing both the TRC and Participants tests, and
 7 applying these ratios to the estimated bill impacts shown in Exhibit No. __
 8 [RJV-3]. As shown in the table below, annual bill increases to our residential
 9 customers increase from approximately \$71 per year in 2010 to approximately
 10 \$1,311 per year in 2019.
 11

| Projected Customer Bill (Nominal \$/Year) for 1,200 kWh Residential - Without Customer Charge | | | | | | | | | | |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Scenario | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| JEA Proposed Goals | \$1,644 | \$1,752 | \$1,843 | \$1,826 | \$1,855 | \$1,915 | \$1,925 | \$1,931 | \$1,981 | \$2,007 |
| GDS Recommended Goals | \$1,716 | \$1,923 | \$2,132 | \$2,222 | \$2,370 | \$2,582 | \$2,741 | \$2,895 | \$3,122 | \$3,318 |
| Increase Due to GDS Recommended Goals | \$71 | \$170 | \$288 | \$397 | \$516 | \$667 | \$816 | \$964 | \$1,141 | \$1,311 |

12
 13

14 **Q. Witness Steinhurst also recommends specific numeric goals (Exhibit WS-1,**
 15 **Page 8 of 9). Do you agree with these recommended goals?**
 16 **A.** No. As I have stated throughout my direct and rebuttal testimony, the RIM and
 17 Participant tests are the proper tests to use for evaluating the cost-effectiveness
 18 of DSM measures and should be used as the basis for establishing DSM goals.
 19 Witness Steinhurst’s recommended goals are arbitrary and do not account for

1 the impact to our customers' rates that will result from mandating DSM goals
 2 based on measures that do not pass the RIM test.

3

4 As discussed in my direct testimony, Itron's cost-effectiveness analyses
 5 indicated that none of the DSM measures analyzed passed the RIM test. Exhibit
 6 No. __ [RJV-3] of my direct testimony presents projected rate impacts
 7 associated with the DSM reductions associated with the measures that passed
 8 both the TRC and Participants tests in Itron's cost-effectiveness analyses. The
 9 table presented below shows projected annual bill impacts to a residential
 10 customer consuming 1,200 kWh per month based on adopting the energy goals
 11 suggested by witness Steinhurst. The impacts shown in the table below were
 12 calculated by determining the annual ratios of the recommended savings per
 13 witness Steinhurst's testimony to those projected by Itron for measures passing
 14 both the TRC and Participants tests, and applying these ratios to the estimated
 15 bill impacts shown in Exhibit No. __ [RJV-3].. As shown in the table below,
 16 annual bill increases to our residential customers increase from approximately
 17 \$45 per year in 2010 to approximately \$1,465 per year in 2019.

| Projected Customer Bill (Nominal \$/Year) for 1,200 kWh Residential - Without Customer Charge | | | | | | | | | | |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Scenario | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| JEA Proposed Goals | \$1,644 | \$1,752 | \$1,843 | \$1,826 | \$1,855 | \$1,915 | \$1,925 | \$1,931 | \$1,981 | \$2,007 |
| Witness Steinhurst Recommended Goals | \$1,690 | \$1,862 | \$2,028 | \$2,133 | \$2,324 | \$2,578 | \$2,779 | \$2,973 | \$3,239 | \$3,473 |
| Increase Due to Witness Steinhurst Recommended Goals | \$45 | \$109 | \$185 | \$307 | \$469 | \$663 | \$854 | \$1,042 | \$1,258 | \$1,465 |

1 **Q. Witness Steinhurst's recommended numeric goals appear to be based on**
2 **annual savings of 1 percent forecasted energy requirements. How have**
3 **recent JEA energy sales compared to previous years?**

4 A. For the 12 month period ending June 2009 compared to the 12 month period
5 ending June 2008, JEA's energy sales are down approximately 4.9 percent. The
6 magnitude of the decline energy sales already represents nearly five years of the
7 energy reductions proposed by witness Steinhurst and the decline in energy sales
8 has already contributed to rate increases for JEA's customers. Furthermore, the
9 reduction in sales over the 2007 baseline used by Itron in the studies results in
10 the Itron's savings being overstated compared to the current economic
11 conditions being experience by JEA's customers.

12

13 **TECHNICAL POTENTIAL STUDIES**

14

15 **Q. How would you respond to the allegations of witnesses Spellman and**
16 **Wilson that the scope of the Technical Potential Study was insufficient and**
17 **did not adequately assess the full technical potential of demand-side and**
18 **supply-side conservation and energy efficiency systems, including demand-**
19 **side renewable energy systems?**

20 A. I disagree with witnesses Wilson and Spellman's allegations. The technical
21 potential study performed by Itron, as described in the testimony of Mike Rufo,
22 considered 267 unique measures known to the FEECA utilities and provided an
23 adequate assessment of the full technical potential of available demand-side and
24 supply-side conservation and efficiency measures, including demand-side

1 renewable energy systems. The scope of the study, the measures to be analyzed,
2 and the assessment techniques were fully vetted through the Collaborative
3 process which included input from all of the FEECA-regulated utilities and
4 other interested parties including SACE and NRDC. I think it is worth noting
5 that, while raising these allegations, witness Wilson simultaneously praises the
6 study, stating "Overall, the technical potential study was conducted in a
7 professional and thorough manner. The collaboration between utilities and our
8 organizations was generally productive and communications were effective for
9 the most part." (Wilson testimony, Page 26, Lines 7-9).

10

11 As members of the Collaborative, SACE and NRDC agreed to the scope of the
12 Technical Potential Study and agreed that there was insufficient data to analyze
13 four sectors. SACE and NRDC did not protest any sort of "omission" of the
14 four measures, as they argue in the testimony of witness Wilson (Page 26, Line
15 12).

16

17 **MINIMUM PAYBACK PERIOD**

18

19 **Q. Witness Spellman's testimony indicates that the 2-year minimum payback**
20 **criterion should not be used for all customer segments, specifically**
21 **residential and small commercial. Is this suggestion consistent with the**
22 **DSM goals setting process in Florida?**

23 **A. No. Use of different payback criterion for different customer classes is not**
24 **consistent with the requirements of the DSM goals setting process. The DSM**

1 goal setting process does not and should not differentiate between customer
2 segments while requiring that free-ridership be recognized.

3

4 **Q. Why was a 2-year payback period selected for the purposes of screening out**
5 **DSM measures from further consideration?**

6 **A.** The 2-year payback period provides for a reasonable method for minimizing
7 free ridership when evaluating the cost-effectiveness of DSM measures. The
8 types of measures that were screened out using the 2-year payback criterion are
9 already the focus of existing educational programs and other efforts. Among
10 other things, JEA has undertaken the following efforts to educate and inform
11 customers about measures which have a payback period of less than two years:

- 12 • Producing and distributing a series of factsheets on these low cost high
13 impact measures;
- 14 • Posting information on our website;
- 15 • Conducting outreach efforts at a variety of community events;
- 16 • Providing information in our k-12 educational materials for teachers and
17 their students;
- 18 • Providing information in Train-the-Trainer sessions to a large number of
19 community non-profits;
- 20 • Provided information to all potential Low Income Home Energy Assistance
21 Program (LIHEAP) candidates; and
- 22 • Providing information to Weatherization clients.

23

24

1 Greenhouse gases are not currently regulated at either the State or Federal level,
2 and there currently are no costs imposed on the emissions of greenhouse gases.
3 While there is much speculation on the potential for greenhouse gas emissions
4 regulation, JEA does not believe it is appropriate to establish DSM goals that
5 would increase customer rates based on speculation related to yet-to-be defined
6 potential regulations of emissions of greenhouse gases. However, for
7 informational purposes, Itron performed additional analyses related to several
8 different combinations of fuel and carbon dioxide (CO₂) emissions allowance
9 prices. The rebuttal testimony of witness Kushner discusses the CO₂ emissions
10 allowance price projections used in these analyses and how they compare to
11 recent CBO estimates.

12

13

FUNDING SET-ASIDES

14

15 **Q. Do you agree with witness Spellman's suggestion that utilities should be**
16 **required to set aside a specific amount of funds to encourage demand-side**
17 **renewable energy?**

18 **A. No. I don't believe there should be Commission-mandated requirements as to**
19 **the amount of funds set aside to encourage technologies that are not shown to be**
20 **cost-effective. All goals should be established to promote cost-effective DSM**
21 **without bias to any particular technology. Furthermore, if demand-side**
22 **renewable energy systems are cost-effective, utilities should have the flexibility**
23 **to include such systems either as part of their renewable portfolios or as part of**
24 **their DSM programs.**

1 Consistent with established Commission policy that municipal utilities may, at
2 their own discretion, choose to implement non-RIM based measures, in response
3 to input from our community JEA does offer limited demand-side renewable
4 energy programs such as our Solar Incentive program, which encourages
5 installations of solar thermal water heating systems. However, witness
6 Spellman cites no basis whatsoever to require a municipal utility to invest
7 unspecified research and development into measures that he admits have been
8 shown to not be cost-effective.

9

10 **Q. Does this conclude your testimony?**

11 **A. Yes it does.**