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2		BEFORE THE
3	FLORIDA P	UBLIC SERVICE COMMISSION
4	In the Matter of:	
5		DOCKET NO. 100159-EG
6	PETITION FOR APPR	
7	DEMAND-SIDE MANAG OF TAMPA ELECTRIC	
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LO	PROCEEDINGS:	COMMISSION CONFERENCE AGENDA ITEM NO. 6
L1	COMMISSIONERS	
L2	PARTICIPATING:	CHAIRMAN ART GRAHAM COMMISSIONER LISA POLAK EDGAR
L3		COMMISSIONER NATHAN A. SKOP COMMISSIONER RONALD A. BRISÉ
L 4		COMMISSIONER EDUARDO E. BALBIS
L5	DATE:	Tuesday, November 30, 2010
L6	PLACE:	Betty Easley Conference Center Room 148
L7		4075 Esplanade Way Tallahassee, Florida
L8	REPORTED BY:	LINDA BOLES, RPR, CRR
L9.	·	Official FPSC Reporter (850) 413-6734
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PROCEEDINGS

CHAIRMAN GRAHAM: Now next we are going to Item Number 6.

MR. ELLIS: Good morning, Commissioners.

Phillip Ellis with Commission Staff.

Item 6 is Staff's recommendation for Docket Number 100159, Tampa Electric Company's petition for approval of its 2010 demand-side management plan.

TECO was previously sent back to modify its DSM plan which failed to meet the Commission's annual goals. The revised plan increases participation rates in eight programs, with an estimated cost of \$15 million over the ten-year period. With these modifications, the revised plan is projected to satisfy the Commission's demand and energy goals. Staff will continue to monitor and report on TECO's DSM achievements annually as part of the FEECA report which is due to be filed in February.

The rate impact associated with the revised plan represents a small increase on the typical bill less than \$1 per month. Staff recommends that TECO's revised DSM plan be approved.

Staff is ready to answer any questions you may have, and representatives of TECO and the Intervenors are also present. It is our understanding that SACE wishes to address the Commission first.

CHAIRMAN GRAHAM: Okay. Thank you very much. SACE?

MR. CAVROS: Chairman Graham, Commissioners, good morning. George Cavros on behalf of Southern Alliance for Clean Energy.

SACE is a regional nonprofit organization that promotes responsible energy choices. And SACE strongly advocates for meaningful energy efficiency because it's the lowest cost resource available to a utility. A well-designed energy efficiency program can meet electricity demand at a fraction of the cost of building new power projects, and efficiency measures also help customers lower their energy use and save money on their electric bills, and that's, you know, particularly critical during these economically challenging times.

You know, a lot of folks don't have access to either information or resources on how to lower their energy use, especially low income and fixed income customers, and that's why customers look to

utility-sponsored programs to help them save money on their bills. Yet these programs should be cost-effectively designed when they're delivered to customers to ensure that customers get the most bang for their buck.

In this docket we contend that you have no assurance of cost-effective program design. Staff appropriately has done an initial cost-effectiveness test. They've looked to make sure that the measures pass the total resource cost test, which they do, and that ensures that the energy efficiency measures meet demand at a lower cost than building a new power plant.

But SACE contends the next step by Staff should be an analysis of whether the programs are designed in a way to deliver energy savings in the most cost-effective way, and that's a much more rigorous analysis that informs you if the dollars TECO is collecting are being used to maximize customer benefit. In other words, can it get the same energy savings to customers at a lower cost? And from the DSM plan presented by TECO, you don't know. And from the recommendation analysis provided to you by Staff, you don't know that either, and that's because neither contains information for the

Commission to determine if costs are, if programs
are well designed with best industry practices or if

costs are within national norms.

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So, Commissioners, you know, I would say to you that efficiency is a resource in meeting demand just like power production and it should be treated as one. Program design should get the same cost-effective analysis as that of a new power plant. I mean, the Commission would never provide a determination of need for a generation resource until that resource has been compared to multiple alternatives under different assumptions and scenarios. The same should apply to efficiency implementation, yet no such rigorous analysis has been conducted by TECO for you or by Staff to determine one of several things: Are there more cost-effective programs at meeting the energy savings goals; two, is there a better mix of programs at meeting the goals; or can the programs themselves be better designed based on best industry practices that ensure that costs are within national norms?

And, you know, in fact this kind of information is actually necessary for the Commission to carry out its statutory duty. I would just point

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you real quickly to *Florida Statute* 366.82(7), which states in part, "The Commission may require modifications or additions to a utility's plants and programs at any time."

How can the Commission add programs or modify programs with the limited information that you have before you? It simply cannot. And, you know, I was looking through the transcripts of the September 14th Agenda Conference. Staff committed to you at that time that it would provide a comparison of comparable programs in other geographic areas so you could compare Florida's IOUs' DSM program costs to that of peer utilities, yet no discovery has been conducted by Staff to TECO since that conference.

Therefore, Staff has -- rather SACE issued its own discovery to TECO, and just here's a quick sampling of the responses we received when we asked them to identify best industry practices or peer utility programs the Company reviewed to evaluate the cost-effectiveness of its programs. It answered that its review consisted of peer utilities in Florida and those identified through the Itron collaborative process with SACE.

Now, Commissioners, you may not be

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familiar with that process, but that's a two-year-old process. And that process looked at a list of measures; it did not look at programs.

Measures comprise programs.

Additionally, TECO also stated that it was unaware of how energy efficiency managers in other states account for energy efficiency impacts, and it could not identify one utility outside of Florida that was suitable for comparing cost-effective program design.

So I would, you know, I would ask you this. You know, TECO has -- you know, there's no one that they deem suitable to compare themselves to. And Staff has issued a recommendation based primarily on TECO's past performance in its DSM programs and in looking at DSM programs that it's submitted now, so Staff is comparing TECO to TECO. TECO is comparing themselves to nobody. And my question is who's minding the store on behalf of Florida consumers? And, lastly, why is SACE the only entity sitting at this table that even cares about this issue?

Lastly, Staff recommends that the

Commission should approve programs for cost recovery

and require the utilities to justify their costs on

the back end during the ECCR docket. Unfortunately that docket is a backward looking process. The only option available to you at that point is to say the cost was prudent or imprudent. Basically are the costs what the Company said they would be? And that's not helpful in developing good energy efficiency programs moving forward.

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That said, we don't want much further delay in implementing these programs, especially since these programs will help customers reduce energy use and save money on their bill. therefore we ask the Commission to consider two options. Number one is to deny the Staff recommendation if Staff feels that it can provide information to the Commission in a reasonable, in a reasonable matter of time that would provide information to the Commission on whether there are more cost-effective programs at meeting the energy savings goals or if a better mix of programs exist or if the existing programs can be improved. And if Staff requires outside assistance from a third party, that assistance should be provided. Or in the alternative, approve the programs on a tentative basis, keep the docket open, and set a schedule for, for Staff or a third party to investigate

opportunities to make these programs more 1 cost-effective and for the Commission to consider 2 those recommendations accordingly. Thank you. 3 CHAIRMAN GRAHAM: Thank you, sir. 4 5 Can I get some comments from TECO? MR. BEASLEY: Mr. Chairman and Commissioners, 6 James D. Beasley with the law firm of Ausley McMullen on 7 behalf of Tampa Electric Company. With me is Mr. Howard 8 9 T. Bryant, Manager of Rates for Tampa Electric, who is prepared to address the Commission, respond to the 10 11 points addressed by Mr. Cavros, and answer any questions 12 that you may have on this item. 13 CHAIRMAN GRAHAM: Thank you, Mr. Beasley. 14 Now is it Mr. Bryant? 15 MR. BRYANT: Yes. 16 CHAIRMAN GRAHAM: Okay. I just wanted to make 17 sure I heard correctly. MR. BRYANT: Yes. I appreciate that. 18 Thank 19 you. Good morning. 20 Several points have been raised by 21 Mr. Cavros, and I'm trying to logically keep them in 22 my mind so I can address them. 23 First off, in terms of the measures and 24 whether or not those measures were actually programs 25 or not, the process began in a collaborative

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fashion, which I believe he referenced, and that included the seven utilities in Florida as well as Itron, the consultant that was utilized by the Utility. And, also, SACE was a member of that process from the very beginning.

And the development of that process entailed some 271 measures that were applied across residential and commercial, the residential and commercial sectors, and within those sectors it was also applied against new and existing construction. And so once you do that kind of multiplication, if you will, of application, you ended up with some 2,300 individual analyses that were done across those various measures.

We sought to have data that was specific to Florida for a couple of reasons. One, our climate in Florida is unique, and so when you consider measures that are evaluated for heating and cooling, for instance, you need to be considering what is happening in the State of Florida relative to -- you simply need to consider what is going on within the State of Florida. The heating and cooling loads of other parts of our country are not applicable to Florida, so we need to be specific. And that, that was -- we made sure, all the

utilities made sure that we did that.

The second thing, even when you go outside the area of heating and cooling measures, if you look at water heating measures for an example, water heating is based on, in many cases, the consumption, but it's also based on the incoming water temperature. And so in Florida our incoming water temperature is some 70 to 72 degrees on a consistent basis. And if you were to compare water heating measures across the other parts of the country, as you go further north, ground water temperature is higher [sic], so you'll be at 60 degrees as you go up toward perhaps the Tennessee area. And even if you get into the, to the northern geographic regions of the country, then you're down to a 50 degree incoming water temperature.

So because of, again, those specifics to Florida is why we focused on what could these measures do in our particular climate zone, in our, excuse me, in our particular region? And so that was our comparison.

Now in the process of the collaborative, SACE did bring to the table some activity that was from the northwest part of our country. And as we looked at it from a group of utilities, we made the

decision that what was happening in that particular region was not necessarily specific and Florida specific so that it would give us good data relative to what's happening in our climate zone. And so we — although the measures in some cases were considered for us down here in that group of 271 measures, what we wanted was specific data for Florida, which we did have available to us through that particular study.

On the issue of comparing to other Florida utilities, if you will look at what the costs are on a per unit basis for Tampa Electric relative to the other utilities, you will find that we are generally at or below delivery costs on a per unit basis relative to other utilities. We think that's a good point.

Now how good of a point is that? Again you look to cost-effectiveness, which again was mentioned by Mr. Cavros, as our programs are cost-effective and that is true. The question is will it continue to be cost-effective on a going-forward basis? And the answer there is that is tested on an annual basis when the Commission has through its audit process a review of our true-up filings. And you look at the expenses and you look

at per unit costs, and those are filed every

March 1, and the companies are asked to do a

cost-effectiveness, cost-effectiveness analysis each

time to, to make sure that those programs maintain

cost-effectiveness.

So we, from Tampa Electric's perspective, we are at or below average cost within our sister utilities, if you will. We look at cost-effectiveness on an annual basis at the time of the true-up and at the time of the audit process, and we make sure that those things remain in sync to the extent that they remain cost-effective.

Would petition and make changes, which we have done over time trying to preserve those programs. If you look at what we have filed in terms of our modification, to address another point of Mr. Cavros, the fact that he indicated that some of the greater gains can be secured through the low income folks, there are five residential programs that we modified. One in particular is a proactive approach to the low income community in our service area, and that is for us to, to go to the neighborhoods to make our presence known and to let folks be aware that we are there and that we are

providing some free energy audit low cost energy savings measures to that, to that group of folks.

And so I think we are doing exactly what Mr. Cavros has asked us to do or what he is suggesting that we should do, which is look to those folks.

So our approach has been one of going to programs that have the opportunity for increasing participation. We didn't necessarily look at programs that have been around since the '80s because of the maturity of those programs and the, the decreasing number of participants that could be available for those programs. We looked at newer programs that have just been developed and/or we looked at programs where we can proactively go to certain aspects of our service area, certain community groups, if you will, and try to increase participation there, as well as focusing on energy awareness.

and more and more aware, whether it be through neighborhood associations, whether it be through trade shows or whether it be through the school system, which is an element of what we are doing, and we are attacking the school system in the sense of attacking, we're educating and providing students

the opportunity to take home with them energy saving opportunities that they can discuss and create that kind of an environment so that, if you will, mom and dad and the students are learning together because the student has brought it home. So that's been our approach to increase as well the education aspect.

That's what we are doing. We think it is cost-effective. We believe we have met the intent of the Commission order, which was for us to establish annual goals, and we're looking forward to beginning our effort in so doing. Thank you.

CHAIRMAN GRAHAM: Does Staff have any last minute things before I bring it back to the board?

MR. ELLIS: Yes. Staff would like to point out, we, we did review compared to other companies, especially those that SACE suggested for their peer review, and we did find some issues with it.

The first is the metric to determine cost-effectiveness. SACE uses a dollar per kilowatt hour metric, which we don't believe is necessarily appropriate to Florida.

There's two major aspects to energy conservation. There is the energy savings where this reduces fuel and the amount on the customer bill, and there's also a demand savings, which

reduces, rather defers or avoids power plants in the future. So that metric does produce some difficulties and it heavily weights towards energy, while the goals established by this Commission are annual goals for demand for winter, for summer peak periods, as well as for annual energy.

Also, there seems to be a dependence on each of the companies upon a single program.

Typically these are rebate programs or lighting programs. Florida also divides it into commercial and residential pools.

Commercially, TECO is performing better than four of the five that SACE compared using SACE's metric. And on the residential side, TECO is significantly higher, but it depends upon some factors. The reliance upon a single program kind of focuses where most of the savings are. And if a participant can use that program, they would be able to share in those higher savings, but in some instances they may not be able to.

For example, Excel Energy, one of the companies selected, has one program that provides 77 percent of its energy savings, the home lighting and recycling program. Without this program, the rest of the portfolio has approximately 92 cents per

kilowatt hour versus, I believe I calculated 44 for the residential portion of TECO excluding demand management programs. So by their own metric, without that single program, there are vastly higher costs.

Most of these programs seem to offer heavy CFL rebates, and most of them also have a time period up to approximately when federal standards on CFLs go into effect. TECO's plan is a ten-year plan that goes significantly beyond that period, so CFL savings would not be available to TECO for a vast majority of its plan. So that raises some concerns. So that would be all.

CHAIRMAN GRAHAM: Thank you.

To the board. Commissioner Edgar.

COMMISSIONER EDGAR: Thank you, Mr. Chairman.

Just a few comments.

First of all, I recognize, I think pretty much everybody who participated in this process that brought us here to date recognizes and recognize that Florida has been a leader for years in DSM comparatively to other states, and as a state but also with our companies, of which we are, we are very proud. But it also kind of leaves us at that where do we go from here and maybe does contribute

to an issue that I believe Mr. Cavros has highlighted for us today as to who, who do we compare to and who do we learn from?

Florida for many years in this issue and in many, many, many other issues has put a lot of time and effort into using benchmarks as a state and also policy sector and industry sector, and certainly our new Governor-Elect has talked a lot about how we can use that benchmarking process to move forward in a number of areas, and I think this is certainly one that clearly rises to the forefront.

I am not sure though where we, where we go from here. I agree with many of Mr. Cavros' comments on behalf of SACE. I thank you for your participation and for the participation of your organization, and I am hopeful that as we as a state and as a Commission move forward on these issues that we will have continued participation and even more robust participation. Because I agree that as we look at these issues, sometimes that consumer representative perspective is, is a little harder to bring to the table. I'm not sure how we do that. I welcome suggestions from your organization, from all consumer groups that have participated to date, and

others that may be out there individually and collectively.

I agree completely that efficiency is a resource that we have made strides in the past but can continue to move forward, especially as awareness increases and as technology becomes more accessible. I think that the issues surrounding and discussions around smart grid as a nation and hopefully as a state will lend itself to that as well and will help us move from maybe the focus on one or two programs but to bringing in, in some others.

With those general comments, I still have a little bit of discomfort personally as to how we do measure cost-effectiveness and value added on these issues as a whole. And I'm hoping,

Mr. Chairman and Commissioners, that that is something as a Commission we will continue to put some time and resources into and move forward. I think that's necessary. I think there are still, there's still more to be done and more to be learned, and that we do need to look at cost-effectiveness as a very important component as we move forward.

But with everything that we have done and with everything that we know to date I am

comfortable approving this item today so that we can continue the motion forward, but I hope for many more discussions and continued progress.

CHAIRMAN GRAHAM: Thank you.

Commissioner Skop.

COMMISSIONER SKOP: Thank you. Just a question for Staff and possibly to the Company also.

On page 6 of the Staff recommendation, second paragraph, Staff noted that eight of the proposed programs were modified to increase participation levels as indicated in Table 3. And I believe, if my math is correct, that six of those eight programs feature increased advertising costs and customer awareness efforts to encourage additional participation, which is always a good thing.

I think that the question I have for Staff, however, is are the new advertising expenses assumed not to change the cost-effective, cost-effectiveness measures?

I mean, for instance, if you spend additional money to promote a given efficiency program, is that captured within the E-TRC and E-RIM analysis, or is advertising costs excluded from that?

MR. ELLIS: Typically those costs are included. In TECO's instance, we have a very early avoided unit. It's, I believe, a 2012 combustion turbine. And at that point the expenditures for additional advertising and participation occur after the timing of the avoided unit. So I believe that would be the reason the E-TRC test results did not change.

asked is in the prior recommendation from 9-1 in Table 6, again, some of the values did not change, and so I was looking at the underlying assumptions to, you know, as they pertain to the cost-effectiveness test that the Commission bases its decision to approve or deny any specific program under its discretion.

MR. ELLIS: Yes. Those values did not change from the previous recommendation. And we do annually review the cost-effectiveness of these programs as a part of the FEECA report.

COMMISSIONER SKOP: And then also on Page 7 of the Staff recommendation, second to last paragraph at the bottom of the page, TECO assumed a carbon cost of \$38 per ton starting in 2014 and escalating in the future. Is that a consistent assumption that was used across the analysis for the various respective IOUs?

MR. ELLIS: That was consistent with TECO's

usage in the goal setting process. During the goal setting process each of the IOUs had a different carbon number both in initial cost, initial start date and escalation rate. So but this number is consistent with that used in the goal setting process.

COMMISSIONER SKOP: But in terms of order of magnitude in relation to the underlying assumption is it consistent generally with other IOUs?

MR. ELLIS: I believe it was one of the highest, if not the highest of the IOUs and had a relatively early start date comparable to the others.

of the Staff recommendation, the second paragraph, Staff articulates the estimated monthly bill impact of 84 cents by 2014. And I guess a question I had with respect to that as shown on Table 5, in the prior Staff recommendation the estimated bill impact I believe was 59 cents in 2014. So it seems to be about a 25-cent per month bill impact from the revised plan to the former Staff recommendation; is that correct?

MR. ELLIS: That would be correct. Typically there was an increase of expenditures in the middle years of TECO's DSM plan as those were the years they were lacking in meeting the annual goals. Overall, the 84-cent rate impact is equivalent to approximately 7

kilowatt hours of usage a month, or a half a percent of usage.

that same page in Table 5 showing the ECCR component of the bill from years 2010 through 2019 as projected by TECO on the preliminary analysis of the projected projects, basically in terms of the contribution component for the ECCR cost, it's pretty consistent in terms of the percentage of the total bill over that time period; is that correct?

MR. ELLIS: That would be correct.

COMMISSIONER SKOP: Okay. And then just two final I guess comments to TECO and Mr. Beasley and Mr. Bryant.

Again, during that goal setting process, I know that that was well vetted, to say the least, by the intervening parties, the investor-owned utilities, the Commission, but I do want to take the opportunity to commend TECO in terms of its proposed plan for embracing some of what was articulated from the bench, particularly on page 17 in agency outreach there's a means to affect or help low income customers through providing at least some compact, excuse me, compact fluorescent lamps and a couple of other things that I actually had never

heard of before, air filter whistles. I thought that was very informative and I'd like to commend the Company for taking that action.

And also on page 27 of the Staff recommendation as articulated in Attachment A where it articulates the renewable energy system initiatives that TECO is pursuing, particularly in relation to solar PV and on the residential and commercial level and also at the schools, I think that that was something that came up and I believe the Intervenors proposed that. The Commission ultimately adopted it in its goal setting process and it's good to see that come to fruition in a, what appears to be a good faith, aggressive manner by the Company. So I just wanted to commend the Company for taking those steps. Thank you.

CHAIRMAN GRAHAM: Any last minute rebuts from SACE? TECO?

MR. BEASLEY: No, sir.

CHAIRMAN GRAHAM: Do I get a motion?

COMMISSIONER SKOP: Move Staff recommendation

on Issues 1 and 2.

COMMISSIONER BRISÉ: Second.

CHAIRMAN GRAHAM: It's been moved and seconded Staff recommendations on Issues 1 and 2. Any further

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1	discussion? Seeing none, all in favor, say aye.
2	(Vote taken.)
3	Those opposed? By your action, you've approved
4	Item Number 6.
5	MR. BEASLEY: Thank you, Commissioner.
6	(Agenda item concluded.)
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1	STATE OF FLORIDA)
2	CERTIFICATE OF REPORTER COUNTY OF LEON)
3	
4	I, LINDA BOLES, RPR, CRR, Official Commission
5	Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.
6	IT IS FURTHER CERTIFIED that I stenographically
7	reported the said proceedings; that the same has been transcribed under my direct supervision; and that this
8	transcript constitutes a true transcription of my notes of said proceedings.
9	I FURTHER CERTIFY that I am not a relative,
10	employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties'
11	attorneys or counsel connected with the action, nor am I financially interested in the action.
12	DATED THIS 3rd day of Deember,
13	2010.
14	Lide Boller
15	LINDA BOLES, RPR, CRR
16	FPSC Official Commission Reporter (850) 413-6734
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