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COMMISSION  
CLERK

September 30, 2011

HAND DELIVERED

Ms. Ann Cole, Director  
Division of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: DSM Goals Technical Potential Study;  
FPSC Docket No. 110000-OT


Dear Ms. Cole:

Enclosed for filing the original and five (5) copies of Tampa Electric Company's response to Staff's First Data Request set forth in a September 9, 2011 letter from Larry D. Harris.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning same to this writer.

Thank you for your assistance in connection with this matter.

Sincerely,

  
James D. Beasley

JDB/pp  
Enclosure

cc: Larry D. Harris (w/enc.)  
Division of Regulatory Analysis (Kathy Lewis) (w/enc.)

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DOCUMENT NUMBER-DATE

07103 SEP 30 =

FPSC-COMMISSION CLERK

TAMPA ELECTRIC COMPANY  
UNDOCKETED: DSM GOALS  
TECHNICAL POTENTIAL STUDY  
STAFF'S FIRST DATA REQUEST  
REQUEST NO. 1  
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1. Section 366.82(3), Florida Statutes, requires that in any proceeding to develop goals for increasing conservation and demand-side renewable energy resources, as well as reducing the growth of energy consumption, the Commission shall evaluate the full technical potential of all available demand-side and supply-side conservation and efficiency measures. In the 2008 goals setting proceeding, Docket Nos. 080407-EG through 080413-EG, the seven FEECA utilities collaboratively produced a "Technical Potential Study" (Document No. 02226-09) through the consulting company ITRON. For any new goals setting proceeding:
  - a) If the Technical Potential Study, Document No. 02226-09, were to be updated, please estimate how long it would take to make the necessary updates. Please fully explain the basis for your estimate.
  - b) If a new Technical Potential Study were required, please estimate how long it would take to produce such a study. Please fully explain the basis for your estimate.
- A.
  - a) Updating the Study. The Technical Potential Study, Document No. 02226-09, was the statewide study prepared on behalf of the statewide collaborative of seven utilities subject to the Florida Energy Efficiency and Conservation Act ("FEECA"). Having been only one of the seven FEECA utilities providing data for that study, Tampa Electric cannot reasonably estimate on a stand-alone basis what would be involved in updating the statewide Technical Potential Study. Simply stated, several data sets from all seven utilities would be necessary for any meaningful updating to occur on a statewide basis. Moreover, the answer to this request would appear to depend on what aspects or components of the study would be updated. Any updating that is less than the production of a completely new study would involve subjective determinations as to which components of the previous study are to be redone using newer data and which components are not. Updating all components of the statewide study would appear to be the equivalent of performing an entire new Technical Potential Study.

If a new DSM goals setting proceeding is the objective, rather than choosing between a subjective updating of the statewide study or performing an entire new Technical Potential Study, it would appear more logical to choose between using the statewide Technical

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Potential Study the Commission used in setting DSM goals for 2010-2019 or completely redoing a new statewide Technical Potential Study. That choice and other relevant considerations are discussed below.

- b) Producing a New Study. Tampa Electric believes the most logical estimate of the time required for preparing a new Technical Potential Study would flow from an analysis of the actual time involved in preparing the most recent statewide Technical Potential Study that was used in setting DSM goals for 2010-2019. Key aspects of that process and time requirements that will be necessary to produce a new Technical Potential Study include: 1) one or more workshops to establish a collaborative effort among utilities and to delineate steps and processes necessary for consistency of the work product – two to three months; 2) identification of potential vendors, development of an RFP, and the execution of the RFP – one to two months; 3) selection of vendor - one month; and 4) completion of the statewide Technical Potential Study, review by the collaborative and presentation of results to interested parties (e.g., Commission and intervenors) – six months. This represents over one year of work and will only produce a statewide Technical Potential Study. At this point no utility specific Technical Potential Study will be available and significant additional time will be required to develop an Achievable Potential Study, conduct a Commission hearing to set new goals and develop and obtain Commission approval of a new DSM plan tailored to meet the new goals.

Any consideration of expending the time and resources to perform a new statewide Technical Potential Study should recognize that a new study would not accomplish anything in and of itself. Technical Potential Studies alone are theoretical in nature; therefore, such a study would have value only if used in the process of establishing new DSM goals and implementing programs – a process that is significantly more complex and time consuming than the mere preparation of a new statewide Technical Potential Study. The statewide study would have to be followed by utility specific Technical Potential Studies. Economic considerations would come into play in the development of Achievable Potential Studies, the assignment of goals based on the foregoing and, ultimately, the development and approval of new DSM plans to achieve the assigned goals. Based on the recent DSM goals setting

and plan approval process, this would add another two years to the aforementioned time period.

A brief review of the recently concluded DSM goals setting process for the period 2010-2019 will place the performance of a statewide Technical Potential Study in the proper context of the goal setting process.

### **The 2010-2019 Goal Setting Process**

FEECA requires the Commission to review its DSM goals every five years. The Commission began the process in November of 2007 to review the goals it last set in August 2004. Five workshops were conducted between November 2007 and December 2008. In March 2009 an order was issued setting controlling dates for the goals hearings. Those hearings took place in August 2009 and a final order setting new goals was issued December 30, 2009. Finally, Tampa Electric was an early utility to have its DSM plan and associated DSM program standards approved which occurred in February 2011. Thus, the recently concluded DSM goals setting and plan processes consumed over three years.

The Commission's next goals prescription for the FEECA utilities must be established by the end of 2014 for applicability during the period 2015-2024. In order to set goals by 2014 and have utility-specific DSM programs in place, the Commission would need to begin goal setting workshops and other activities in January 2012 (only a few months away) to have the same amount of time it took from November 2007 through February 2011 to set new goals and approve plans and standards for the current period.

Therefore, if the Commission were to begin the process of performing a statewide Technical Potential Study in the immediate future for purposes of setting new goals, these new goals would be set barely ahead of the normal five-year cycle currently scheduled to result in new goals in late 2014.

Rather than performing a new statewide Technical Potential Study, Tampa Electric believes that the study used to set the current goals is of sufficiently recent vintage to be relied upon if the Commission

believes it appropriate to set new goals now and approve new programs ahead of the next goal setting cycle. Tampa Electric believes the more prudent course of action is for the company to continue implementing the DSM plan the Commission recently approved for Tampa Electric on December 20, 2010 in Order No. PSC-10-0736-PAA-EG issued in Docket No. 100159-EG ("Order No. 10-0736"), rather than commencing an entire new goal setting/DSM program approval effort ahead of the next normal goal setting cycle. The company's approved plan has been implemented and Tampa Electric's customers and providers of DSM measures have taken action in reliance on that implementation. The development of new goals at this time and a corresponding revision of the company's approved plan to meet new goals would involve considerable time, effort and expense and could conflict with efforts to set new DSM goals for the 2015-2024 period.

#### **Important Goal Setting Considerations**

Regardless of when new goals are set, the Commission should consider the cost and fairness of the cost-effectiveness test to be used in the goal setting process and the role of carbon considerations in that process. As the Commission observed in Order No. 10-0736, all programs contained in Tampa Electric's DSM plan approved in that order passed both the Enhanced Total Resource Cost (E-TRC) and Participant's Cost-Effectiveness tests, with the exception of the company's energy audit programs. However in its subsequent consideration of DSM plans for Florida Power & Light Company (FPL) and Progress Energy Florida, Inc. (PEF), the Commission determined that the plans submitted by the utilities would effect undue rate impacts on customers. Consequently, the Commission approved the continuation of DSM plans the Commission had previously approved for those two utilities as a result of the 2004 goal setting proceeding,<sup>1</sup> finding that those programs were cost-effective and would accomplish the intent of FEECA. Those programs were determined to be cost-effective using the Participant's Test and the Rate Impact Measure (RIM) cost-effectiveness test; no carbon costs or TRC cost-effectiveness were considered.

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<sup>1</sup> Docket No. 040033-EG

Tampa Electric adheres to the belief that the RIM test is the most fair and equitable cost-effectiveness test because it insures against cross subsidies at the expense of electric utility customers who cannot or do not participate in DSM measures that pass the Participant's test and the TRC or E-TRC tests, but do not pass the RIM cost-effectiveness test. The RIM test is a fair cost-effectiveness test because it truly produces "no losers." Measures that pass the RIM test are very effective as has been demonstrated by DSM results of the Florida utilities when compared to other utilities across the nation. The Commission has found that RIM based programs accomplish the intent of FEECA and at the same time have relatively minor rate impacts.<sup>2</sup> Tampa Electric believes the Commission should ultimately embrace the RIM test for the fairness, equity and rate impact mitigation it provides and reject the TRC and E-TRC cost-effectiveness tests the next time it considers setting new DSM goals.

Tampa Electric also believes that carbon considerations should be excluded from any cost-effectiveness test utilized in setting new goals prospectively. There is a significant degree of uncertainty regarding prospective carbon policy and until that issue is resolved the inclusion of carbon costs in cost-effectiveness analyses will increase the cost of the resulting DSM programs without addressing any definitive carbon policy.

#### **Appropriate DSM Accountability Standard**

In its orders approving a continuation of the 2004 DSM plans of FPL and PEF, the Commission held that those companies shall not be eligible for financial reward under Sections 366.82(8) and (9), Florida Statutes, unless they exceed their 2010 goals and shall not be subject to a financial penalty unless they fail to achieve the DSM savings associated with their 2004 assigned DSM goals. Understanding that those orders have been protested, in the event the above-described reward/penalty parameters remain in effect following disposition of the protests, Tampa Electric urges the Commission to apply the same standard with respect to Tampa Electric.

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<sup>2</sup> Orders No. 11-0346, Docket No. 100159-EG and Order No. 11-0347, Docket No. 100160-EG

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Thus, the company urges the Commission to clarify that Tampa Electric will not be eligible for financial reward unless it exceeds its 2010 goals and will not be subject to any financial penalty unless it fails to achieve the savings projected to be achieved by its DSM plan that was in place prior to the approval of the company's current DSM plan. This would be the savings projected for the DSM plan approved in 2007 to meet Tampa Electric goals that were approved in 2007. This clarification will enable Tampa Electric to continue implementing its DSM plan approved in Order No. 10-0736 and at the same time place Tampa Electric on a comparable basis as FPL and PEF insofar as the potential for financial rewards or penalties relating to DSM achievement is concerned. That result will be fair and equitable for Tampa Electric and its customers.