

FLORIDA PUBLIC SERVICE COMMISSION  
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MEMORANDUM

SEPTEMBER 25, 1997

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FPSC - Records Reporting

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

FROM: DIVISION OF ELECTRIC & GAS (COLSON) *RC*  
DIVISION OF LEGAL SERVICES (PAUGH) *RVL T3 JJ* *JDS*

RE: DOCKET NO. 970547-EG - PETITION TO TERMINATE FLORIDA  
POWER AND LIGHT COMPANY'S COMMERCIAL/INDUSTRIAL PROGRAM.

AGENDA: OCTOBER 7, 1997 - REGULAR AGENDA - PROPOSED AGENCY ACTION  
- INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\EAG\WP\970547.RCM

CASE BACKGROUND

In October 1992, the Commission approved Florida Power and Light's (FPL) Commercial/Industrial Efficient Motors Program in Order No. PSC-92-1118-FOF-EG. Modifications to FPL's Commercial/Industrial Efficient Motors Program were included as part of FPL's demand side management (DSM) plan in Order Numbers PSC-95-1343-S-EG, and PSC-95-1343A-S-EG. The Commercial/Industrial Efficient Motors Program (Program) is designed to reduce FPL's summer and winter coincident peak demand and energy attributable to three phase motors by encouraging small commercial/industrial customers, through the use of incentives, to select a three phase, premium efficiency motor over a standard efficiency motor. The Program is currently offered only to FPL's GS rate class.

In staff's first set of interrogatories in Docket No. 960002-EG, FPL was asked to evaluate each of its approved DSM Programs using the company's most recent planning assumptions. The results showed that the Commercial/Industrial Efficient Motors Program along with several other DSM Programs failed the Rate Impact Measure (RIM) test. FPL stated that the requested analyses were not sufficient to access whether the Programs should continue to be offered. FPL agreed at that time to reevaluate each of the Programs that failed the RIM test to determine potential Program modifications that may be desirable.

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On May 6, 1997, FPL filed a petition to terminate its Commercial/Industrial Efficient Motors Program and remove it from FPL's DSM plan. FPL now believes that the Program is no longer cost-effective and cannot be modified to be made cost-effective and still address the needs of FPL's customers.

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### DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve the Petition to Terminate Florida Power & Light Company's Commercial/Industrial Efficient Motors Program?

RECOMMENDATION: Yes.

STAFF ANALYSIS: When the evaluations were performed in FPL's 1996 planning process, the benefit-to-cost ratio for the Commercial/Industrial Efficient Motors Programs' Rate Impact Measure (RIM) test was calculated to be 0.91. This analysis included an incentive of \$229 for each kW reduction. FPL's analysis also shows that with a lowering of the incentives and administrative costs, the Program theoretically could be made cost-effective for the GS class, however, the level of administrative cost and incentives necessary to make the Program cost-effective for the GS class is unreasonably low to administer the Program. As a result of evaluations of the Commercial/Industrial Efficient Motors Program in FPL's planning process, FPL has determined that the Program is no longer cost-effective as currently designed.

The major factor that contributed to reducing the benefit-to-cost ratio for the Commercial/Industrial Efficient Motors Program is:

FPL's actual number of customers participating in its Commercial/Industrial Efficient Motors Program in 1996 (13), was less than the projected participation (approximately 8,254). FPL now projects that there will be 1000 participants per year in the Commercial/Industrial Efficient Motors Program thru 2000. Therefore, since the Program's administration costs in most cases are fixed, any fluctuation in the number of participants will move the cost to administer the Program up or down. In this case, the number of participants has decreased, therefore the Program cost has increased.

FPL proposes to end the Commercial/Industrial Efficient Motors Program by discontinuing to process any rebate certificates or rebate reimbursement forms which are related to purchases of efficient motors twenty (20) days after the date the Commission order discontinuing the Program becomes final. Also, FPL will notify known motor outlets of the Commission's termination of the Efficient Motors Program in writing within five (5) days of the order terminating the Program becomes final. FPL proposes to process for eighty (80) days following the date the order terminating the Program becomes final all properly documented rebate certificates or rebate reimbursement forms for purchases of

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efficient motors which predate the twentieth day following the date the Commission's discontinuance order becomes final. After that eighty-day period following the termination of the Program, FPL will not process any rebate certificates or rebate reimbursement forms.

As stated above, the reduction in the number of participants FPL used in the RIM analysis has reduced the benefits and increased the costs associated with the Commercial/Industrial Efficient Motors Program. Therefore, staff believes that this is the reason why the Commercial/Industrial Efficient Motors Program is no longer beneficial to FPL's general body of ratepayers. Staff therefore recommends that the Commission approve FPL's request to terminate its Commercial/Industrial Efficient Motors Program and the dropping of the Program from FPL's DSM Plan. Also, staff recommends that the Commission approve FPL's request to continue energy conservation cost recovery of Program costs related to the termination of the Program as discussed above.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If no person whose substantial interests are affected by the Commission's proposed agency action, files a protest within twenty-one days of the issuance of this Order, this docket should be closed.

STAFF ANALYSIS: Pursuant to Rule 25-22.029(4), Florida Administrative Code, any person whose substantial interests are affected by the Commission's proposed agency action shall have 21 days after issuance of the Order to file a protest. If no timely protest is filed, the docket should be closed.