



# Public Service Commission

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FPSC - Records/Reporting

**DATE:** APRIL 30, 1998

**TO:** DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYÓ)

**FROM:** DIVISION OF ELECTRIC AND GAS (FUTRELL) *TF TR*  
DIVISION OF LEGAL SERVICES (JAYE) *RVE* *JDJ*

**RE:** DOCKET NO. 980264-EG - PETITION FOR MODIFICATION OF BETTER BUSINESS CONSERVATION PROGRAM AS PART OF DSM PLAN, BY FLORIDA POWER CORPORATION.

**AGENDA:** MAY 12, 1998 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

**CRITICAL DATES:** NONE

**SPECIAL INSTRUCTIONS:** NONE

**FILE NAME AND LOCATION:** S:\PSC\EAG\WP\980264.RCM

### CASE BACKGROUND

In Order Number PSC-95-1344-S-EG, issued on November 1, 1995, in Docket No. 941171-EG, the Commission approved Florida Power Corporation's (FPC) Commercial/Industrial (C/I) Better Business program as part of FPC's Demand Side Management (DSM) Plan. The Better Business program provides incentives for the installation of energy efficient lighting, heating, ventilation, air conditioning, motors, and water heating equipment, as well as building retrofit measures (in particular, roof insulation upgrade, duct leakage test and repair, and window film retrofit).

In staff's first set of interrogatories in Docket No. 960002-EG, FPC was asked to evaluate each of its approved DSM programs using the company's most recent planning assumptions. The response showed that the Better Business program, along with several other DSM programs, failed the Rate Impact Measure (RIM) test. FPC stated that the requested analyses were not sufficient to assess whether the programs should continue to be offered. FPC

DOCUMENT NUMBER-DATE

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agreed at that time to reevaluate each of the programs that failed the RIM test to determine potential program modifications that may be desirable. As a result of its analysis, on February 20, 1998, FPC filed a petition to modify its Better Business Program.

### DISCUSSION OF ISSUES

**ISSUE 1:** Should the Commission approve Florida Power Corporation's petition for approval to modify its Better Business Program, including approval for cost recovery through the Energy Conservation Cost Recovery Clause?

**RECOMMENDATION:** Yes. The Better Business program, as modified, is cost effective, with a ratio of 1.27 under the Rate Impact Measure test. FPC should file with the Commission the results of its planned 1998 evaluation of the Better Business program.

**STAFF ANALYSIS:** FPC proposes to modify the Better Business program by discontinuing the Interior Lighting component of the program. As originally approved, for qualifying C/I customers, FPC conducted a lighting audit, provided lighting information to the customer, and paid an incentive for qualifying efficient indoor lighting fixtures. The program does not pay an incentive for exterior lighting. FPC states in its petition that by eliminating the Interior Lighting component of the program, the program will achieve a benefit/cost ratio greater than 1.0 under the RIM, Total Resource Cost, and Participant tests.

The cost-effectiveness of the Better Business program has changed since Commission approval in 1995. The table below contains the cost-effectiveness test results at various points in time:

|                     | Approval<br>11/95 | 11/96 | 2/98 |
|---------------------|-------------------|-------|------|
| RIM                 | 1.01              | 0.74  | 1.27 |
| Total Resource Cost | 3.81              | 2.91  | 2.45 |
| Participant         | 3.87              | 4.03  | 1.99 |

FPC provided, in November 1996, the cost-effectiveness results of its programs, in response to a staff interrogatory in the Energy Conservation Cost Recovery docket (960002-EG). This response showed three of FPC's programs not to be cost-effective. Included with the interrogatory responses, was FPC's commitment to explore options to improve program cost-effectiveness for those programs that no longer pass RIM. The C/I New Construction program became cost-effective after updated assumptions were included in the cost-effectiveness tests. FPC's petition to discontinue the C/I Energy Monitor program was approved by the Commission as a proposed agency action at the April 7, 1998 Agenda Conference. The petition to modify the Better Business program is the subject of the instant docket.

A reduction in avoided cost appears to be the primary reason for the decline in cost-effectiveness of FPC's Better Business program. FPC performed multiple scenarios, in analyzing the program, by removing individual program components and testing for cost-effectiveness. The program became cost-effective only when the Interior Lighting component was removed. This is primarily due to high lost revenues caused by the Interior Lighting component which reduces energy sales over both peak and non-peak hours.

Because the program has a RIM ratio of 1.27, FPC's ratepayers are less vulnerable to declining avoided costs, and overstated demand and energy savings compared to a marginally cost-effective program. FPC metered a representative sample of C/I customers from 1995-1997 in part to verify DSM program assumptions. FPC plans to continue its analysis of this data during 1998, and to specifically evaluate the Better Business program during 1998. Engineering models will utilize the metered data previously mentioned: as well as customer billing data to evaluate the Better Business program. FPC should file with the Commission the results of its planned 1998 evaluation of the Better Business program.

**ISSUE 2:** Should Florida Power Corporation be required to submit detailed program participation standards?

**RECOMMENDATION:** Yes. Florida Power Corporation should file program participation standards within 30 days of the issuance of the order in this docket. These standards should be administratively approved.

**STAFF ANALYSIS:** FPC's program standards should clearly state the Company's requirements for participation in the program, customer eligibility requirements, details on how rebates or incentives will be processed, technical specifications on equipment eligibility, and necessary reporting requirements. Staff requests that it be allowed to administratively approve the program participation standards if they conform to the description of the program contained in FPC's petition.

**ISSUE 3:** 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 the 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.