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July 30, 2009

HAND DELIVERED

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

Re: Commission review of numeric conservation goals (Tampa Electric Company); FPSC Docket No. 080409-EG

Dear Ms. Cole:

Enclosed for filing in the above docket, on behalf of Tampa Electric Company, are the original and fifteen (15) copies of Rebuttal Testimony of Howard T. Bryant.

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: All parties of record (w/enc.)

COM 5
ECR 2
GCL 2
OPC
RCP
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ADM
CLK 1

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Rebuttal Testimony of Howard T. Bryant, filed on behalf of Tampa Electric Company, has been furnished by hand delivery (*) or U. S. Mail on this 30th day of July 2009 to the following:

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TECO
TAMPA ELECTRIC

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 080409-EG
IN RE: COMMISSION REVIEW OF
NUMERIC CONSERVATION GOALS
TAMPA ELECTRIC COMPANY

REBUTTAL TESTIMONY
OF
HOWARD T. BRYANT

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED REBUTTAL TESTIMONY

OF

HOWARD T. BRAYNT

Q. Please state your name, address, occupation and employer.

A. My name is Howard T. Bryant. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or "company") as Manager, Rates in the Regulatory Affairs Department.

Q. Are you the same Howard T. Bryant who submitted prepared direct testimony in this proceeding?

A. Yes, I am.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to address serious deficiencies and inaccuracies in the testimonies submitted on behalf of the Natural Resources Defense Council ("NRDC"), the Southern Alliance for Clean Energy ("SACE") and the Florida Public Service Commission

("Commission") Staff.

Mr. James W. Dean is also submitting rebuttal testimony on behalf of the four largest Florida investor-owned electric utilities, including Tampa Electric, describing in detail the deficiencies in the testimonies submitted by NRDC, SACE and GDS Associates, Inc. ("GDS") which is appearing on behalf of the Commission Staff. I concur with the concerns expressed in Mr. Dean's rebuttal testimony addressing the errors, inaccuracies and misinterpretations of NRDC/SACE and GDS direct testimonies and the resulting economic harm to all Floridians as well as state and local governments if the demand side management ("DSM") goals arbitrarily put forth by NRDC/SACE and GDS were to be adopted.

Given the level of detail included in Mr. Dean's rebuttal testimony on behalf of Tampa Electric and the other Florida IOUs, I am focusing my rebuttal testimony on key points I believe the Commission should consider as this proceeding moves forward.

Q. Do you have any general comments concerning the assertions of the intervenors and Staff witnesses before addressing the specific shortcomings, omissions and

errors you have found in their testimonies?

A. Yes I do. Collectively, these witnesses have formulated and put forth arbitrarily selected DSM goals for Tampa Electric that are devoid of careful analytical support, lack any association with the company's resource planning process, fail to consider any cost-effectiveness analyses, and forego adherence to Commission Rule 25-17.0021, Florida Administrative Code ("F.A.C.") for setting demand-side numeric goals for utilities. Furthermore, a detailed evaluation of the resulting rate impact to Tampa Electric customers of the proposed goals is not provided by the witnesses, thus leading to the total inability of this Commission to perform its statutory requirement of Section 366.82(7), Florida Statutes ("F.S."), which authorizes the Commission to modify or deny conservation plans or programs that would have an undue impact on costs passed on to customers. Indeed, witness Wilson for NRDC/SACE contends that the rate impact is an off limits topic of discussion in this proceeding.

The general approach of these witnesses seems to ignore the nearly 30 years of successful delivery of conservation and energy efficiency programs by Tampa

Electric to its customers. In 1981, the Florida Energy Efficiency and Conservation Act ("FEECA") was adopted requiring utilities to offer efficiency programs to customers to help utilities reduce the demand for energy. Tampa Electric was the first utility to receive Commission approval of its plans to meet the requirements of FEECA. The company has been a consistent contributor to the overall success of Florida's conservation efforts.

The Commission has consistently required aggressive goals and at the same time has strived to be mindful of the rate impact that conservation programs have on customers. The Commission has accomplished this through the use of a Rate Impact Measure ("RIM") test and Participant test to screen potential DSM measures to avoid undue high utility rate impacts and cross-subsidization of program participants by non-participants. As I later describe, NRDC/SACE and GDS would have the Commission jettison its balanced and effective approach to DSM goals setting and adopt in its place a radical pursuit of per capita reduction in energy consumption without any regard whatsoever for the rate impact on consumers of electric power in Florida. Their approach is wrong and should be rejected.

Q. Given the number of witnesses in this proceeding, please provide the overall structure of your rebuttal testimony.

A. In several instances, witnesses on behalf of NRDC/SACE and Staff (collectively, the "Witnesses") have addressed the same or similar issues; therefore, my rebuttal testimony is structured in response to specific issues regardless of the witness or organization putting forth the argument. Also, with regard to GDS, Mr. Spellman and Ms. Guidry did not file separate testimony on behalf of Staff. Hence, my expressed concerns and disagreements with GDS will not be specific to either Mr. Spellman or Ms. Guidry.

Q. All the Witnesses state that the 2008 changes to Section 366.82, F.S., require the Commission to use the Total Resource Cost ("TRC") test to determine the cost-effectiveness of conservation and energy efficiency measures when setting utility goals. Do you agree with their assessment?

A. No I do not. All the Witnesses have misread the controlling statutes and the import of HB 7135, enacted in 2008. Nowhere does Florida law (before or after the enactment of HB 7135) require the use of the TRC test to

the exclusion of the RIM and Participant tests. Witness Wilson for NRDC/SACE points to certain provisions of HB 7135 requiring the Commission to take into consideration certain factors in setting DSM goals. That is all the 2008 act does. It does not mention the TRC test, nor does it preclude continued reliance on the RIM and Participant test. Indeed, as witness Dean explains, the express terms of HB 7135 render the TRC test inconsistent with the intent of the act. Section 366.82(3), F.S., states, "In establishing the goals, the commission *shall take into consideration*…" (emphasis added) a set of parameters when developing utility goals. It does not mandate, require or direct the Commission to make any change whatsoever to its current method of determining measure cost-effectiveness.

It follows that the continued use of the RIM test in tandem with the Participant test is completely consistent with adherence to FEECA, as amended in 2008. In fact, when assessing the parameters the Commission shall consider, the RIM test and the Participant test fully accomplish the clear intent of Section 366.82(3)(a) and 3(b). I agree with the opposition Witnesses in that the Participant test gives the Commission the tool necessary to discharge its duty of consideration relative to

Section 366.82(3)(a); however, to suggest the TRC test is now the necessary tool to give consideration to Section 366.82(3)(b) is wrong. Again, the Commission's continued use of the RIM test and the Participant test accomplishes all that is to be considered in that section of the statute since the language does not state that one single measurement or cost-effectiveness test is to be used. Frankly, the Commission seems to be at liberty to use any number of measurement tools it chooses as long as it considers the required parameters.

Q. Why has the RIM test and not the TRC test been utilized by the Commission as the correct methodology to set utility goals and determine the cost-effectiveness of utility conservation programs?

A. The Commission clearly articulated the basis for its decision to employ the RIM test in setting goals in Docket No. 930551-EG, Order No. PSC-94-1313-FOF-EG, issued October 25, 1994 when it stated,

> "We find that goals based on measures that pass TRC but not RIM would result in increased rates and would cause customers who do not participate in a utility DSM measure to subsidize customers

who do participate."

Based on the foregoing, the Commission concluded:

> "We will set overall conservation goals for each utility based on measures that pass both the participant and RIM tests."

Simply stated, the Commission determined that if a measure only passed the TRC test, it would be unfair for customers who did not participate in adopting the measure to pay for those who did, thereby creating a subsidy which violates the fundamental principles of utility rate making. In this regard, Section 366.03, F.S., provides:

> "…No public utility shall make or give any undue or unreasonable preference or advantage to any person or locality, or subject the same to any undue or unreasonable prejudice or disadvantage in any respect…."

As a result, the RIM test remains superior to the TRC test and is a good measure of fairness from the standpoint of complying with the intent of FEECA, both before and after the 2008 amendments.

Mr. Wilson, testifying on behalf of NRDC/SACE, states on page 22 of his direct testimony that the statutes relating to FEECA goals do not suggest that the Commission should focus on electric rates or impacts to non-participants. Thus, he finds nothing to suggest the Commission should employ the RIM test in the FEECA goal setting process. This is very shortsighted and overlooks a lot important considerations. First, it overlooks this Commission's consistent efforts over three decades to advance the conservation of electricity and all energy sources without causing utility customers to suffer the effects of high rates or cross-subsidization. The Commission's goal of pursuing this balance was not nullified or even affected by anything the Legislature did in 2008. Mr. Wilson and his fellow witnesses also overlook the fact that FEECA must be read alongside and harmonized with all of the other statutory requirements of the Commission. In this regard, one theme throughout Chapter 366, F.S., is the focus on having rates that are fair, just and reasonable. FEECA, itself, charges the Commission with the duty of adopting goals to "increase the conservation of expensive resources." (Section 366.82(2), F.S.). Why would the Legislature require this if it were not to reduce electric rates? Similarly, the Legislature's focus on reducing growth rates of weather

sensitive peak demand protects ratepayers from having to pay for new generation. These are provisions of FEECA that have not been amended and which clearly focus on electricity rates and impacts to all customers including participants and non-participants in any DSM program.

Q. Can you summarize your rebuttal to the Witnesses with regard to the Commission now being statutorily required to use the TRC test to determine the cost-effectiveness of conservation and energy efficiency measures when setting utility goals?

A. Yes. The statute clearly states the Commission is only to consider certain delineated parameters in developing utility goals. Therefore, specific to costs and benefits of participants and the general body of ratepayers as a whole, the Commission's longstanding practice of utilizing the RIM and Participant tests will accomplish the consideration. Furthermore, by continuing with the RIM and Participant test evaluations, the Commission will demonstrate consistency with its historical decision to prohibit subsidies and thereby adhere to its statutory requirement under Section 366.03, F.S.

Q. Mr. Wilson states that the technical potential study had

shortcomings. Do you agree?

A. No. Mr. Wilson was an active participant and indeed acknowledged his participation in the collaboration process to develop the framework of the technical potential study. The collaborative team consisted of the FEECA utilities and Mr. Wilson representing NRDC/SACE. The collaborative members contributed by providing measure identification with energy consumption characteristics, building types and construction vintage to Itron for consideration. Also, Itron's experience in the industry afforded the collaborative team an opportunity to include measures it otherwise may have overlooked. Once a measure's energy consumption characteristics were known and if it was determined to be commercially available in Florida, it was included in the technical potential study. For Mr. Wilson to have been an engaged participant in the collaborative team, to have agreed to the scope of the study, and to have agreed that there was insufficient data to analyze certain sectors he now states were omitted is not correct. I believe his characterization of a shortcoming is contrary to the spirit of the collaborative process and somewhat disingenuous.

Q. Mr. Mosenthal, appearing on behalf of NRDC/SACE, and GDS go to great lengths describing perceived flaws with the two-year payback screening tool utilized by Florida utilities to develop their respective achievable potentials. How do you respond to the accusations?

A. Mr. Mosenthal and GDS's characterizations about the flaws in the two-year payback are unfounded and demonstrate an unfamiliarity with the Commission's rule concerning conservation goals and related matters. Rule 25-17.0021, F.A.C., implements conservation goals for electric utilities. Subsection (3) of that rule requires that each utility's projection in a proceeding to establish or modify DSM goals shall reflect consideration of a number of factors including "free riders" during the goals setting process - not postponing the evaluation to the program development stage as Mr. Mosenthal argues. Free ridership occurs when a customer is provided an economic incentive to take an action that the customer likely would take on its own even without receiving the incentive. As a simple example, the average person would not need to receive a $2 incentive to bend down and pick up a stray $5 bill the person happened to spot on the sidewalk. Paying the $2 incentive would be a waste of resources because the average person would pick up the

stray $5 bill anyway.

It is reasonable to assume that most, if not all, DSM measures that pay for themselves within two years or less are sufficiently attractive from an economic perspective that the average homeowner or business manager will take advantage of the measure on their own without receiving an incentive from the utility. The two-year payback screen is a reasonable means of considering and avoiding free ridership. If Mr. Mosenthal and GDS advocate paying unnecessary DSM incentives, the witnesses are simply promoting an uneconomic result that is inconsistent with the Commission's rules.

The Commission has a long history of using the two-year payback criterion in goals setting and program participation standards. Tampa Electric first introduced the screen in 1991 as a key part of a program standard. The program standard restricted incentive payments to any measure that had less than a two-year customer payback. The Commission approved the two-year payback standard in 1991 and has subsequently approved it in every program filing since then. In 1994, Florida Power and Light introduced the two-year payback screen in their goals docket as a means of minimizing free riders and the

Commission approved FPL's goals that were based on this standard. The Commission Staff has acknowledged the use of the Participant test and the two-year payback criterion to control free ridership in recent workshops. John Laitner with the American Council for an Energy-Efficient Economy ("ACEEE") published an article identifying the two-year back as a reasonable threshold for a customer to not require any utility incentive. Similarly, the Environmental Protection Agency Energy Star program indicates that consumers desire rapid payback when incremental up-front investment is required and that period is in the range of two to three years. Based on this overwhelming support and continued utilization of the two-year payback criterion, Tampa Electric believes the Commission's continued use of the tool is the appropriate tool for minimizing free ridership.

In addition, the use of the two-year payback screen to minimize free riders was decided upon early in the collaborative process. Mr. Wilson of SACE/NRDC participated in the discussion and agreed to the decision.

Q. Mr. Mosenthal identified other flaws in the screening

process utilized by the FEECA utilities to develop their respective achievable potentials. How do you respond to his accusations concerning the Participant test usage, inclusion of administrative costs and the bundling of measures?

A. Mr. Mosenthal's characterizations about the flaws in these screening steps are unfounded. I will address each one separately. First, Mr. Mosenthal argues that the utilities improperly screened with the Participant test before any incentives were applied to determine cost-effectiveness. This is simply not true. Tampa Electric did not utilize the Participant test until incentive determination commenced in the evaluation process.

Second, Mr. Mosenthal's concern with the inclusion of administrative costs as a screening tool demonstrates he did not thoroughly review the screening process Tampa Electric followed to reach its achievable potential. Tampa Electric appropriately included administrative costs in the evaluation process but did not utilize those costs until after the economic potential was determined. Therefore, the company did include those costs as it began the evaluation process to determine its achievable potential. The first application of administrative costs

occurred after the economic potential was established in an effort to determine if any measures would fail RIM and TRC cost-effectiveness tests with just the inclusion of lost revenue and administrative costs for the RIM test and incremental measure cost and administrative cost for the TRC test. This process was used to maintain as many measures as possible for the next step, determination of the incentive.

Third, Mr. Mosenthal's general discussion of when to apply administrative costs in the evaluation process seems to suggest that any inclusion of administrative costs prior to program development is wrong. I disagree. In order to perform measure cost-effectiveness evaluations to ultimately calculate a utility's achievable potential, it is necessary to have a reasonable estimate of all costs associated with any measure under consideration, including administrative costs. Otherwise, false values of cost-effectiveness will be developed for certain measures which in turn will over-estimate goals that would otherwise be more accurate if administrative costs were actually included.

Finally, Mr. Mosenthal's concern over measure bundling is unfounded in Tampa Electric's evaluation process. The

company evaluated every measure on a standalone basis throughout the process and never employed any bundling techniques to its methodology.

Q. Mr. Steinhurst, appearing on behalf of NRDC/SACE, criticizes the manner in which the utilities evaluated the costs imposed by state and federal regulations on the emissions of greenhouse gases. He even suggests a mere sensitivity reflecting only low and high carbon costs was conducted. Are his criticisms warranted?

A. Not at all. The Florida utilities, and specifically Tampa Electric, included carbon costs from the very outset of the goals setting process and continued the usage through the completion of the achievable potential determination. Since laws for the emissions of greenhouse gases have not been enacted at the federal or state levels, Tampa Electric utilized a mid-range CO_2 value taken from proposed legislation before Congress throughout its evaluation process to establish the company's proposed RIM-based goals. To accommodate the Commission Staff's request to perform carbon sensitivities on Tampa Electric's economic potential, the company used low and high values from that same proposed legislation. Tampa Electric's specific values for low,

mid, and high levels of CO_2 costs for selected years are presented in the table below. The company's cost values appear to be comparable or higher than Mr. Steinhurst's levelized recommendations of $15, $30 and $78 per ton for low, mid and high values, respectively.

Carbon Costs ($/ton)			
Year	Low Scenario	Base Scenario	High Scenario
2014[1]	10	38	73
2020	15	51	98
2025	19	65	125
2030	25	83	160

[1] Projected legislative enactment

Q. Mr. Steinhurst suggests the adoption of an across-the-board interim DSM savings goal of 1.0 percent of annual sales per year for each utility. Likewise, GDS proposes a significant increase in DSM savings. How do you respond to these proposals?

A. Mr. Steinhurst and GDS's proposed goals appear to be arbitrarily selected values that fail to consider any Florida specific factors or the potential economic impact that pursuit of such across-the-board goals could have on this state and its residents. Further, the goals do not demonstrate any consideration or adherence to Rule 25-17.0021, F.A.C., the Commission's rule for goals setting. The FEECA utilities, in collaboration with NRDC/SACE,

followed a carefully thought out and rigorously implemented process over many months to develop reasonable, achievable potential DSM goals for each member utility. My direct testimony summarizes the vigorous collaborative process the team members pursued and the steps followed by Tampa Electric in developing its individual DSM goals. Mr. Steinhurst and GDS have failed to provide any basis for substituting their arbitrarily selected across-the-board goals in place of the goals proposed by Tampa Electric as the result of a rigorous, disciplined and Commission rule compliant goal setting process.

Q. Please describe how Mr. Steinhurst and GDS's across-the-board goals compare to the goals proposed by Tampa Electric and the effect Mr. Steinhurst and GDS's goals could have on Tampa Electric's customers.

A. The DSM goals proposed for Tampa Electric by Mr. Steinhurst and GDS are significantly higher than those proposed by the company. In fact, the magnitude of difference is six to ten times greater than the company's proposal. The proposed goals from Mr. Steinhurst and GDS are not the result of following Commission rules for goals setting and it is unknown as to the specific

measures that comprise their goals; therefore, it is difficult to determine the cost of their proposals. However, Tampa Electric has accomplished 642 GWH of energy savings from the inception of FEECA in 1981 through 2008 and has spent $430 million during that time period. If the goals proposed by Mr. Steinhurst and GDS were adopted for the company, Tampa Electric customers would bear the burden of six to ten times the expenditures the company has experienced over a 28-year period in just ten years, all in the absence of proven cost-effectiveness.

Q. Are NRDC, SACE and GDS correct in concluding that utilities in Florida have placed too much emphasis on capacity savings and not enough emphasis on energy savings?

A. No they are not. The Commission and the electric utilities in Florida are - and should be - unapologetic about their pursuit of both capacity and energy savings. In adopting FEECA, the Legislature expressly mentioned both types of savings:

> "…Reduction in, and control of, the growth rates of electric consumption and of weather sensitive

peak demand are of particular importance…" Section 366.91, F.S.

The goals the utilities have proposed and those the Commission has approved have always been couched in terms of summer and winter peak demand and energy savings. NRDC/SACE and GDS's apparent goal of overemphasizing energy savings to the exclusion of reducing the growth rate of weather sensitive peak demand would neglect one important prong of the Legislature's two-prong intent embodied in FEECA.

Q. How to you respond to Mr. Wilson's criticisms of the historic energy efficiency achievements of the FEECA utilities?

A. Mr. Wilson's conclusions are patently wrong. As the Commission has observed, Florida has been a leader over the years in developing long-term energy efficiency goals and programs. The Commission has recently observed that estimated savings from Florida utilities demand side management programs are among the highest in the nation. Below is a chart of estimated cumulative savings from utility-sponsored DSM programs since 1980.

Summer Peak Demand	5,685 MW	7,422 MW
Winter Peak Demand	6,100 MW	7,570 MW
Energy Consumption (Annual)	6,977 GWh	9,051 GWh

Source: FPSC's *Annual Report on Activities Pursuant to the Florida Energy Efficiency and Conservation Act,* February 2008

As I mentioned in my direct testimony, the Energy Information Administration ("EIA") of the Department of Energy has ranked Tampa Electric as high as the 96th percentile nationally for cumulative conservation and the 90th percentile for load management achievements. Any suggestion by Mr. Wilson or other intervenor witnesses that Florida utilities in general, and Tampa Electric specifically, are underachievers in the areas of demand side management and energy efficiency is simply wrong.

Q. GDS proposes to allocate a large annual sum of each utility's Energy Conservation Cost Recovery clause expenditures to demand-side renewable system research and development ("R&D") to satisfy Section 366.82(2), F.S. Do you agree with this approach?

A. No I do not. While GDS correctly assessed that setting demand-side renewable goals are a component of Section 366.82(2), F.S., Subsection (3) of the statute instructs the Commission to consider the cost-effectiveness of all

the goals. The FEECA utilities included six individual demand-side renewable measures in the total number of measures evaluated for potential goals and determined none of the renewable measures were cost-effective. Therefore, in consideration of Subsection (3), any demand and energy contributions from renewable measures were not included in Tampa Electric's proposed goals due to the measures' non-cost-effectiveness.

For GDS to propose any action beyond the explicit requirements of the statute would be in error, and to even suggest a financial burden on Tampa Electric customers stemming from a massive giveaway proposal of almost $8 million of non-cost-effective expenditures over a five-year period would be totally wrong. Nothing of this sort is mandated and would be unconscionable to propose.

Q. Do you have any concluding remarks regarding the testimonies by NRDC, SACE and GDS?

A. Yes, I do. I want to stress the solid efforts that have been put forth by the FEECA utilities and the Commission's Staff over nearly a year-long process to develop aggressive, yet reasonable, DSM goals consistent with the Commission's goal setting rule and the provisions of FEECA

that it implements. All participants in this effort should be proud of the results and confident that they meet all relevant legislative objectives. The counter proposals of NRDC, SACE and GDS, on the other hand, appear to be arbitrarily crafted, "made up" goals designed to pursue an overarching environmental agenda that has no concern whatsoever for electric customers in Florida or the economy of this state.

The proposed "goals" of NRDC, SACE and GDS are four to five times higher on a winter/summer peak demand basis, and approximately nine time higher on an energy basis than the utility-sponsored goals derived from a nearly year long collaborative effort with valuable Staff input. These stark differences alone make the NRDC/SACE and GDS proposals inherently suspect. Those differences, together with the deficiencies in the testimonies of the NRDC, SACE and GDS witnesses Mr. Dean and I have described, form a solid basis for rejecting the goals put forth by NRDC, SACE and GDS.

Q. Does this conclude your rebuttal testimony?

A. Yes it does.