Marguerite McLean

100160-EG

From: Clark, Eileen [Eileen.Clark@pgnmail.com]
Sent: Thursday, July 29, 2010 1:38 PM
To: Filings@psc.state.fl.us
Cc: Triplett, Dianne; Burnett, John; Tibbetts, Arlene
Subject: Docket No.: 100160-EG Filing
Attachments: Document.pdf

This electronic filing is made by:

Dianne Triplett
P.O. Box 14042
St. Petersburg, FL 33733
727-820-4692
Dianne.Triplett@pgnmail.com

Docket: 100160-EG

In re: Petition for approval of Proposed Demand-side Management Plan of Progress Energy, Florida, Inc.

On behalf of Progress Energy Florida

Consisting of 5 pages

The attached document for filing is PEF'S Response to Letter Filed by Mr. John D. Wilson on behalf of SACE

Eileen Clark
Sr. Legal Secretary to
Alex Glenn, General Counsel Florida
John Burnett, Associate General Counsel
Progress Energy Florida
299 First Avenue N., PEF151
St. Petersburg, FL 33701
eileen.clark@pgnmail.com
VNet: 230-5785
Outside: 727-820-5785
Fax: 727-820-5041

In re: Petition for approval of
Proposed Demand-side Management Plan
of Progress Energy Florida, Inc.
_________________________________/

DOCKET NO.: 100160-EG

Filed: July 28, 2010

Progress Energy Florida, Inc.'s Response to Letter Filed By Mr. John D. Wilson on behalf of SACE

Progress Energy Florida, Inc. (PEF) files this response to the July 14, 2010 letter filed in this docket by Mr. John D. Wilson on behalf of the Southern Alliance for Clean Energy (SACE). PEF first notes that the SACE letter is procedurally inappropriate. This docket is a Proposed Agency Action ("PAA") proceeding. None of the parties, including PEF, have filed testimony, and there is no hearing planned. Rather, pursuant to the PAA procedure set forth in Rule 25-22.029, F.A.C., parties, including SACE, will have an opportunity to protest the Commission's PAA order and request a Section 120.569 or 120.57 hearing should they take exception to the PAA order that the Commission ultimately issues in this docket. During the course of such a hearing, all parties will have an opportunity to present testimony on the issues. The SACE letter, which was filed in a PAA docket, amounts to improper, unsworn witness testimony. The Commission does not have the benefit of cross examination of the issues raised in the letter, nor does the Commission have any way to test the statements asserted in the letter under the evidentiary protections afforded in a full hearing. Indeed, SACE candidly admits in its letter that it did not have sufficient time or resources to review all the information and issues that the letter discusses. Accordingly, SACE's unsworn and untested letter should not be relied upon by the Commission for any purpose in this proceeding. If SACE desires to be heard at the level of detail set forth in its recent letter filing, it should request a hearing after the issuance of the PAA order or request that the Commission set this matter for a hearing now so that the statements and allegations contained in the letter can be presented as sworn testimony.

While SACE's letter is procedurally inappropriate and should not be considered, PEF feels compelled to briefly address the substantives issues raised in the letter that specifically relate to PEF. PEF also respectfully requests an opportunity to be heard on these issues at the agenda conference to the extent the Commission is inclined to consider any of the issues that SACE has raised.

Boiled down to its essential points, SACE's letter amounts to three main arguments regarding PEF's DSM plan. First, SACE argues that some of PEF's program and measure costs are too high. Next, SACE argues that PEF is paying too much money for incentives in certain demand side management and efficiency programs. Finally, SACE argues that PEF should spend more money in earlier years of PEF's ten-year program rather than using a ramp-up, incremental implementation approach.

- High Costs

The cost projections contained in PEF's DSM Plan simply reflect PEF's best estimate of what it will take to achieve the Commission's new ten-year goals. PEF's new ten-year GWh goal is 16.8 times higher than its previous goal established in 2004 by the Commission. The challenge is furthermore compounded by the substantial portion of the goal that was not based on achievable cost-effective potential, but rather technical potential. While program costs may not need to expand proportionate to the 16.8 times increase, they will need to grow significantly just to meet the large projected increases in program participation required to meet the new goals.

It is further noted that PEF's ordered goal is **200-400% higher** than the other Florida investor owned utilities. If PEF's goals were in-line with its peer utilities, then PEF's overall projected costs would understandably be lower.

- Incentives

In the DSM Goals Docket that preceded this one, the utility parties agreed to engage Itron to prepare "***high case scenarios***" using incentive values intended to maximize program participation. It is this high case scenario that the Commission utilized in setting a portion of PEF's goals. Thus, it is logical that PEF would utilize these Itron "high case scenario" cost assumptions, including participant incentives, when developing its plan to meet the goals established by the Commission. In fact, PEF leveraged the Itron cost assumptions as an initial reference case for developing the cost projections for its plan, and further adjusted estimates based on historical knowledge and experience, resulting in an overall cost reduction of 24% from the initial reference case.

- Incremental Implementation

As mentioned before, the new ten-year GWh goal for PEF is 16.8 times higher than PEF's previous goal of 190 GWh as approved in 2004, and is significantly larger than any other investor owned utility in the state. This enormous expansion of PEF's DSM goals requires a corresponding expansion of its DSM programs. As a result, it will take a substantial amount of time for PEF to (1) fully develop and implement the new and enhanced programs, (2) develop the customer awareness required to attract the huge amount of program participation required to achieve the new goals, and (3) collect and analyze the data on how new and untested programs and measures are performing such that they can be further refined.

PEF's DSM Plan offers a reasonable "phased-in" approach to implementing the new and enhanced programs, as well as the increased participation and costs, and seeks to balance meeting the new goals with ensuring reasonable growth in ECCR rates for all customers. PEF's proposed demand-side management plan, filed on March 30, 2010, represents the Company's best attempt to meet the most aggressive conservation goals in the state on a cumulative basis while also seeking to minimize the negative rate impacts to customers during the first several years.

In summary, PEF appreciates the Commission's consideration of these matters and looks forward to answering any questions that the Commission may have at the upcoming agenda conference.

JOHN T. BURNETT
Associate General Counsel
DIANNE M. TRIPLETT
Associate General Counsel
PROGRESS ENERGY SERVICE COMPANY, LLC
299 First Avenue North
St. Petersburg, FL 33701
Telephone: (727) 820-5184
Facsimile: (727) 820-5519

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via electronic and U.S. Mail this 28th day of July, 2010 to all parties of record as indicated below.

DIANNE M. TRIPLETT

Katherine Fleming
Jennifer Brubaker
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
keflemin@psc.state.fl.us
jbrubake@psc.state.fl.us

Vicki Gordon Kaufman
Jon C. Moyle, Jr.
Keefe Anchors Gordon & Moyle, P.A.
118 North Gadsden Street
Tallahassee, FL 32301
vkaufman@kagmlaw.com
jmoyle@kagmlaw.com

Suzanne Brownless
Suzanne Brownless, PA (10)
1975 Buford Blvd.
Tallahassee, FL 32308
Phone: 850-877-5200
FAX: 878-0090
Email: suzannebrownless@comcast.net

Florida Industrial Power Users Group
c/o John McWhirter, Jr.
McWhirter Reeves & Davidson, P.A.
P.O. Box 3350
Tampa, FL 33601-3350
jmcwhirter@mac-law.com

George Cavros, Esq.
120 E. Oakland Park Blvd., Ste. 105
Fort Lauderdale, FL 33334
George@cavros-law.com

James W. Brew
F. Alvin Taylor
Brickfield, Burchette, Ritts & Stone, P.C.
1025 Thomas Jefferson St., NW
Eighth Floor, West Tower
Washington, DC 20007-5201
jbrew@bbrslaw.com
ataylor@bbrslaw.com