BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of: DOCKET NO. 100160-EG

PETITION FOR APPROVAL OF
DEMAND-SIDE MANAGEMENT PLAN OF
PROGRESS ENERGY FLORIDA, INC.
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In the Matter of: DOCKET NO. 100154-EG

PETITION FOR APPROVAL OF
DEMAND-SIDE MANAGEMENT PLAN
OF GULF POWER COMPANY.
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In the Matter of: DOCKET NO. 100159-EG

PETITION FOR APPROVAL OF
DEMAND-SIDE MANAGEMENT PLAN OF
TAMPA ELECTRIC COMPANY.
_______________________________/

PROCEEDINGS:	AGENDA CONFERENCE ITEMS NOs. 7, 8 and 9
COMMISSIONERS PARTICIPATING:	CHAIRMAN NANCY ARGENZIANO COMMISSIONER LISA POLAK EDGAR COMMISSIONER NATHAN A. SKOP COMMISSIONER ART GRAHAM COMMISSIONER RONALD A. BRISÉ
DATE:	Tuesday, September 14, 2010
PLACE:	Betty Easley Conference Center Room 148 4075 Esplanade Way Tallahassee, Florida
REPORTED BY:	LINDA BOLES, RPR, CRR JANE FAUROT, RPR Official FPSC Reporters (850) 413-6734/(850) 413-6732

P R O C E E D I N G S

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CHAIRMAN ARGENZIANO: Now we'll move to Item 7. And I believe we have two, two people on the line. And we'll just wait for staff to get in place and begin, and then we'll recognize Mr. Chamberlain and Mr. Baker.

UNIDENTIFIED SPEAKER: Good morning.

CHAIRMAN ARGENZIANO: Good morning. Are both of you gentleman with us, Mr. Chamberlain and Mr. Baker?

UNIDENTIFIED SPEAKER: Yes.

CHAIRMAN ARGENZIANO: Okay. Good morning. We're just getting our staff in proper place.

UNIDENTIFIED SPEAKER: Thank you.

CHAIRMAN ARGENZIANO: Ms. Fleming, are you kicking us off on this one?

MS. FLEMING: Yes, I am. Thank you.

CHAIRMAN ARGENZIANO: Okay. Thank you.

MS. FLEMING: Commissioners, pursuant to the Florida Energy Efficiency and Conservation Act, FEECA, at least once every five years the Commission must review and establish numeric conservation goals for the seven FEECA utilities, which are FPL, Progress, TECO, Gulf, FPUC, OUC and JEA.

In August 2009, the Commission held an evidentiary hearing to establish the conservation goals based on the statute as amended in 2008. In December 2009, the Commission issued its order establishing annual numeric goals and required each of the utilities to file by March 30th, 2010, a DSM plan designed to meet the utilities' established goals.

Commissioners, Items 7 through 9 are staff's recommendations of the demand-side management plans filed by Progress, Gulf and TECO. Parties are here to address the Commission, and staff is available to answer any questions that you may have.

CHAIRMAN ARGENZIANO: Thank you. Let's, let's go to -- Mr. Burnett, did you want to address us at this time? And then we'll move down and then we'll talk to our gentlemen on the phone.

MR. BURNETT: Yes, ma'am. Thank you very much, Chairman.

Chairman, let me start off by saying we really appreciate the opportunity to speak with you today. I'll try to be as brief as possible, but this is a 4.8 billion, that's B, question with, with the Commission, so.

CHAIRMAN ARGENZIANO: Take the time you need.

MR. BURNETT: On that order, if I could have leave to pass out some handouts to the Commission, that will help me move along quicker. If I may have leave to approach or have someone --

CHAIRMAN ARGENZIANO: Yes. We have some help there for you. Thank you.

MR. BURNETT: May I proceed, ma'am? Thank you, Madam Chair.

Madam Chair, where we left off with the, at the last agenda when we were here in March, the Commission was having a discussion with Mr. Ballinger and Ms. Fleming, and that discussion centered around two things. The Commission said, you know, moving where the Commission has moved now, we've got some stretch goals, we've got some robust goals, some serious movement in the goals. What do we do about that when we hit this phase, the measure phase? And one of the specific questions, Madam Chairman, that you actually had is what authority do we have when we get down to where the rubber hits the road with the detail to say, look, if a program or measure is too expensive, if there's a rate impact that's too much, can we pull it back? And I think this is the phase that you look at that, and that's what we've been working to do.

So we started out with a chart here that I gave you to say what are we working with to start with? How do we look, how does my company look compared to others? And what you'll see here is, if you look at the chart that I handed out, Progress Energy Florida, our goals as we sit here today are five times greater than TECO's, they're three times greater than Florida Power & Light's, although Florida Power & Light is over two times bigger than our company, and we're two times bigger than Gulf.

Now we didn't think that the Commission said, hey, I want to target Progress Energy Florida and have this result happen. So the first thing we said is how did we get here? What led to this? Because if we understand how we get here, then maybe we can come back and have meaningful input to you guys at this phase.

So first of all we said, look, there's, there's high, middle and low scenarios that the utilities had put forth when we were setting the goals. They're high, high on the incentive levels, medium on the incentive levels, low as far as technical ability, achievable ability. So we looked. We have high cases all, all through. So our, our goals are selected on high cases, number one.

The second thing is all programs are not necessarily created equal. So when staff perhaps or someone else is looking, if you see, let's see, heat pump. You may see heat pump, heat pump, heat pump, heat pump for all the utilities. If you unravel those and bake those down, you may see that one utility may have 15 measures under heat pump, one may have four. Progress Energy baked in some programs to where we may have not had cost-effective measures on their own, but we put them together to have some efficiency and they became cost-effective bundled. So if you, if you look at those from another view to say unbundled versus bundled, that may have contributed to this as well. So not, not all programs are created equal.

And then thirdly, when we were looking at the top ten measures, the way that, that we've landed here at Progress Energy Florida, having decades of doing DSM and energy efficiency, to move to the higher goals that we have, there's no low hanging fruit left for us. If we -- to get to those numbers we had to really reach down and say what can we do to get to these goals? So when we're picking our top ten that we have, we had, we had eight of our ten programs were residential. They're very high cost incentive measures. Sometimes we have to give stuff away for free, to be quite frank with you, to get to these measures. So you bake all, all that together, that's what gives the bar chart here.

So our second thing we said is what are we going to do about it? What are we going to come back to do to the Commission? Our choices were do we just divide that by ten, apply no analysis to it and come in and say here you go? We didn't think so. So the second chart, which is a line graph, is what we show, what I want -- if you could turn your attention to next.

That line graph shows what represents our ramp-up approach. That's one of the issues that we have that the staff took in the staff recommendation. This is one of the things we want to talk about here today.

We, we said, look, with these kind of goals, what happens if we do a phased in approach? If for the first five years we have a ramp-up period where we learn more about these new programs, we have an opportunity to get better, faster, stronger, we don't get ahead of legislation, we don't get ahead of technology, at the five-year mark you'll see that Progress Energy Florida beats every other utility with the exception of Gulf on their ten years. So in five years under our ramp-up we've done better than every other utility has done their whole ten years with the exception of Gulf. So that's the ramp-up we have here today.

That made sense to us because it gets us almost five, four and a half times greater than what we've historically had, it gets us better than any other utility except for Gulf on the entire program basis, and it mitigates price impacts to customers on the short-term. Also lets us come back at that five-year mark and say what's changed? Is that an opportunity to learn more about the programs? And we could be more intelligent in our implementation.

The next chart is I have a price impact. So we looked at that. It's very important. And if you look at this bar graph, this is the price impact that we have of some of the choices.

If you look down under PEF Case A, our current plan, as we sit here today, as you see, is just shy of about $3, and this is on a residential bill for 1,000 kWh. The ramp-up plan that we proposed in 2011 moves us to just shy of $4.50.

And then what I call Case C, this is our attempt to take the staff recommendation as it sits here today and say what does that look like for 2011? As you see, that's just north of $9 on an add. If you look at FP&L, TECO and Gulf's, this is what they're looking like for 2011 based on their, their plan as filed.

So we said what can we do to get this down, looking a little bit more like our peer utilities, have some parity on the cost impact? And if you see, our ramp-up plan brings us looking a little bit like Gulf, not quite to TECO and FP&L, but at least it brings some parity down on the price impact.

Another thing and the final thing I have in my handout is staff actually raises this and I think did a very good job of raising this in the staff recommendation, and this addresses, Chairman, your question that you had at the, at the March 16th agenda. You know, what do we do if we come in and we find a program or a measure that's contributing too much?

Well, we looked at that as well. And if you turn, you'll see on page 19 of the staff recommendation, there's one program we have called technical potential. These are generally the programs that you see on page 18 of the staff rec. It's giving, giving water heater blankets, giving away pool pumps, giving away air conditioner, HVAC systems. So heavy hitters as far as the incentive goes.

If the Commission were inclined to, to take that measure out, that reduces our goal down to 50 percent. What that does to price is that brings this long bar on this chart down to about where Gulf is, and it also brings the first chart I showed you down about to where Gulf is as well. So it brings us back into some parity just by eliminating that one program there.

So as we sit here, this is -- our recommendation would be for the Commission to take a strong look at that technical potential and recognize that, as you see here, it fails E-RIM. That means that it fails it pretty, pretty miserably. So that means that this program will be subsidized. You will have non-participating, typically lower income customers subsidizing participants who can afford to either have this measure or that have pool pumps. Some of the customers don't even have pools, so they're going to be buying pool pumps for people who do.

As you see, it barely passes ETRC as well. So if you're looking for your bang for your buck, and staff is careful to say this, if you're looking for the bang for the buck to eliminate something, that's where it's at. So we would recommend that the Commission eliminate that program, it brings us back down to parity, we're in line with the other utilities both on goals and on price, and I think it's a win, win, win. And my best guess is if you ask anyone down the table, except perhaps for SACE, they're not going to dispute me that that's a win, win, win for the customers, for the company and for the state.

Again, we're moving our goals to almost five times what they were historically, between 3 and 4, however you come out on this. So that's our proposal. If, if the Commission does not do that, then certainly we stand by our ramp-up approach. It's to say let's phase this in and let's try to get those bars down at least for the first five years to look a little bit more like the other utilities. And we're happy to answer any questions. Thank you, ma'am.

CHAIRMAN ARGENZIANO: Commissioner Skop.

COMMISSIONER SKOP: Thank you, Madam Chair.

Good morning, Mr. Burnett. With respect to the graphs that have been handed out, obviously it looks like somewhat of an anomaly in terms of the percentage requirements on the, on the first page of the slide. And, you know, I'll look to staff to better understand what's, what's driving that disparity between Progress and the various other IOUs.

But in relation to the bar graph that you mentioned, the one that goes horizontal, the PEF Case C shows the adoption of the Florida PSC's annual goals, Case B shows the ramp-up plan that you alluded to, and Case A shows the current plan and basically articulates what the potential rate impact may be if the Commission were to recede from the annual goals, if it was warranted, and allow Progress to move forward with the, with the ramp-up plan. And I guess the question I would pose to you in PEF Case B, the projected cost estimate on a monthly basis at 1,000 kilowatt hours looks to be approximately $4.50 per month on the, on the inspection from the graph; is that correct?

MR. BURNETT: Yes, sir. And that's for the 2011 year.

COMMISSIONER SKOP: Okay. And, and that would ultimately depend on the take rate that would be subscribed to the various programs that Progress would offer; is that correct?

MR. BURNETT: That's right, sir.

COMMISSIONER SKOP: So it may, in fact, if the take rate is not as high as, as Progress may estimate it to be, then the actual rate impact might be more in line with the other four IOUs on that same chart; is that correct?

MR. BURNETT: Yes, sir.

COMMISSIONER SKOP: Okay. All right. Great. Thank you.

CHAIRMAN ARGENZIANO: Any other questions for Mr. Burnett?

Okay. Ms. Kaufman.

MS. KAUFMAN: Thank you, Madam Chairman. Good morning, Madam Chairman and Commissioners. I'm Vicki Gordon Kaufman. I'm with the law firm of Keefe, Anchors, Gordon & Moyle, and I'm here on behalf of the Florida Industrial Power Users Group.

I was very glad to see Mr. Burnett bring some charts and slides this morning because FIPUG is, is very concerned with the rate impact of implementation of the goals and programs as submitted by Progress Energy. We think that, contrary to what your staff has told you, that implementation of all these programs as filed would have an undue impact on rates, and we certainly support Mr. Burnett's suggestion as a way to mitigate the impact on ratepayers.

I just want to let you know that, that we did some independent analysis of the numbers and programs that Progress filed, and in our analysis we found that the programs as submitted will result in about a $900 million increase over the ten-year horizon, and we just think that that's, that's way too much. Even your staff, I think, if you look in the recommendation, tells you that by the year 2019 the increase in the ECCR charge will be something in the neighborhood of 830 percent. That's a pretty staggering amount.

But I want to tell you in terms of my clients and try to put it in some dollars for you. First of all, as an aside, I would say that generally the consumers that I represent do conservation on their own nickel, they put in high efficiency pumps, and they do everything they can to use energy efficiently because it's the smart thing and the right thing for them to do.

But if you take a typical FIPUG member, and I have to give you some caveats here, to the extent there is one, and this is going to be a gross approximation for a typical client, right now a large customer is paying in the area of about $34,000 a month for the ECCR charge, in itself a staggering sum. If these programs are implemented as filed, that's going to increase to approximately $306,000 a month, or a tenfold increase. And I don't think I have to harp much on what that might do to business and industry, the creation of jobs and, that we're all trying to move to in this economic downturn.

So we are fully supportive of Mr. Burnett's proposal to you or any alternative proposal that will mitigate what we see as an undue burden on ratepayers. And as Mr. Burnett pointed out to you in his presentation, Progress, for whatever reason, seems very far out of line with the other utilities. And I haven't analyzed the reasons as he presented them to you, but I think you can look at that bar chart and see that something is amiss here. So we support that proposal.

We have another issue that is addressed in the staff recommendation, and that has to do with the IS credit, and your staff talks about that on Page 11 and 12. You might remember, those of you that were here at the time, that we raised this issue in the Progress rate case, and we were told that we ought to bring it over here to the conservation case, and that's what we've done.

It was our position in the rate case and it is our position today that the interruptible credit is greatly under valued, and we have -- we provided analysis in the rate case and can do so here to show you that. The interruptible program, if you look at Table 6 on Page 11, you'll see that it's probably the most cost-effective or close to the most cost-effective program that Progress has. And we would suggest to you that the outdated credits and the methodology that Progress is using ought to be evaluated.

Staff does address the methodology for the credits and, again, you might remember, that was an issue in the rate case. We offered two alternative methodologies at that time. Again, you said you would look at it in this docket. Staff says that Progress' methodology is appropriate. We would disagree. One of our alternatives was to directly measure interruptible demand in realtime which seems to make the most sense for valuing the credit. And we would suggest to you that in this day of deployment of smart meters, I think almost across all the utilities, that is certainly a step that ought to be taken.

So we have two points to close. Number one, we support Mr. Burnett's rate impact mitigation proposal to you, and we would suggest to you that a hard look needs to be taken, number one, at the value of the interruptible credit Progress has calculated as well as the methodology. I have talked to Mr. Burnett offline, and I think we will have some discussions about that, but I did want to bring it to your attention.

Thank you.

CHAIRMAN ARGENZIANO: Thank you.

Any questions for Ms. Kaufman? You're recognized.

MR. CAVROS: Commissioners, George Cavros on behalf of Southern Alliance for Clean Energy. SACE is a regional nonprofit organization that promotes responsible energy choices. By way of background, SACE strongly advocates for meaningful energy efficiency because it is the lowest cost resource available to a utility, and a well-designed energy efficiency program can meet electricity demand at a fraction of the cost, meeting demand for new power projects.

And efficiency measures also help lower customer bills by reducing energy use. That helps them save money on their bills, and that's critically important during these economically challenging times. But that said, energy efficiency programs have to be well managed to ensure that customers are getting the most bang for their buck. And we are very concerned that customers are not getting the most bang for their buck in the programs that have been proposed not only by Progress, but the other three IOUs, but in particular Progress Energy.

Now, we appreciate staff's review of the proposed programs, and in the case of Progress actually identifying measures where incentives actually exceeded the measured cost and ensuring that the utility programs passed the TRC test. But that said, SACE does not support the approval of the programs deemed by Staff as cost-effective with the exception of the solar programs for several reasons. And these comments that I'm going to provide are also, many of them are going to be generic throughout the docket, so I won't be repeating them again later in the other dockets, but some will be specific to Progress, as well.

First of all, the staff recommendation reflects a pass/fail cost-effectiveness evaluation. You know, we anticipated that the staff would correctly begin with an analysis of the standard cost-effectiveness test as required by the Commission for all utility plans, and that's great, but this is only a first-tier review.

In order to protect the public interest, the evaluation shouldn't stop there. The Commission should also have information to determine if programs are well designed with best management practices. If costs are within national norms, and if not, if those programs need to be modified. Now that ensures that customers are getting the most bang for their buck from these programs. That review wasn't done here, and you don't have that information right now. And I would direct you to Florida Statute 366.82, Subsection 7, which reads in part that the Commission may require modifications or additions to utilities' plans and programs at any time that it is in the public interest. In approving plans and programs for cost-recovery, the Commission shall have the flexibility to modify programs.

The staff recommendation is devoid of a program-by-program cost analysis that will aid the Commission in modifying programs, if it so chooses. The only option provided to the Commission by staff is either the wholesale acceptance or the wholesale rejection of programs. There is no option here to modify programs. The recommendation doesn't provide this Commission with the information it needs to carry out its statutory authority.

So if a utility party has put forth a worthwhile program that will benefit consumers, let's say it's a technical potential program, in this case for PEF, but the program has unexplained and inflated costs that, say, are significantly higher than similar programs by peer utilities in other states, the Commission is cornered into two decisions. Number one, you can either reject the program that will help customers lower their bills, or you can accept it and let customers shoulder inappropriately high costs for that program.

Also, the staff recommendation suggests the Commission should approve programs for cost-recovery now and require the utilities to justify its costs later during cost-recovery proceedings. We believe this approach puts the utilities at undue risk of under-recovery which is really going to deter utilities from experimenting with new program designs that may be more cost-effective but carry some risk. We believe that the Commission should provide the utility with specific guidance regarding what is appropriate in this proceeding.

Therefore, we recommend with the exception of the solar programs that the Commission modify the staff recommendation in its order to ensure that, number one, the utilities or, number two, the Commission staff provide information to the Commission within 30 days regarding best industry practices as applied to circumstances in Florida so that it will be able to fully consider the public interest in its final action.

Also, in particular to Progress Energy, the staff recommendation also doesn't address the curious and unexplained use of an escalation factor by Progress Energy in the development of its energy efficiency programs. We urge the Commission to seek information and understanding on this subject from Progress Energy or Commission staff. No other utility has used an escalation factor in developing its programs. And according to Southern Alliance for Clean Energy's calculations, that escalation factor alone will add more that one billion customer dollars to Progress Energy's efficiency programs over ten years.

Additionally, this, again, applies to all the -- all the dockets. Staff identified five programs which represent the largest contributors to the ECCR clause, which could be removed to reduce the rate impact if the Commission wishes to reduce the rate impact to customers. Now this approach looks singularly at the rate impact, but it fails to emphasize the cost-effectiveness of program design, which is of particular importance according to Florida Statute 366.81, yet there is no program-by-program analysis for cost-effective design. And SACE has cited to these program cost deficiencies in a letter to staff that was widely noticed.

So we recommend, with the exception of the solar programs, that the Commission direct the utilities to demonstrate that they have analyzed alternative programs strategies and are submitting the most cost-effective plan possible when submitting revisions within 30 days that staff has recommended.

We also recommend that the Commission direct its staff to conduct an analysis that goes beyond simply just removing programs to reduce rate impacts and to provide a recommendations as to whether the Commission should require modifications to any utility program pursuant to 366.82, Subsection 7. This applies specifically to Progress Energy, and it's the technical potential program.

SACE doesn't understand nor does staff provide a discussion on the genesis of the technical potential program. Utility DSM plans are based on achievable potential. Technical potential is just a theoretical construct. This program couldn't possibly be paid based on the Commission's order, if PEF has interpreted the Commission's order to mean that it must achieve full technical potential associated with the several measures used as a basis for the goals established by the Commission, then that interpretation is patently incorrect and raises questions as to whether the utility has made a good faith effort to comply with the Commission's order.

The discussion at the FEECA goal-setting agenda conference clearly showed that the Commissioners were concerned over the arbitrary manner in which the two-year payback screen eliminated some of the most cost-effective measures from consideration, and in response to the Commission's concern, the staff brought forth ten commercial and residential measures and what their technical potential value was.

And as a compromise -- that was a compromise approach that was brought to you all. The Commission emphasized in stating its decision that when the utilities develop their implementation plan, they should not be limited to those specific measures. And that is what Progress has done here; they have limited their programs to these specific measures.

So, basically, as far as a technical potential program is concerned, submitting poorly designed programs like this puts considerable pressure on this Commission to reject the program because of unnecessarily high rate impacts. If the program is rejected, then of course it also has the consequential effect of reducing the utility's goals. And this Commission has spent a considerable amount of time, over a year in establishing efficiency goals, and the submission of poorly designed programs implementing those goals shouldn't be allowed to undermine those goals.

Thank you.

CHAIRMAN ARGENZIANO: Thank you. Any questions?

COMMISSIONER EDGAR: Madam Chair, would you prefer questions now or hear from everyone first?

CHAIRMAN ARGENZIANO: If you have a question now, whatever you prefer, Commissioner, if you want to come back and ask questions after, I just figured since he finished right now there might be something on your mind that you might want to ask now.

COMMISSIONER EDGAR: I will have some, but I'm going to wait until I hear from everybody, if that's all right.

CHAIRMAN ARGENZIANO: Absolutely.

Ms. Brownless.

MS. BROWNLESS: I'm Suzanne Brownless, and I'm here this morning representing the Florida Solar Energy Industries Association, and with me is Bruce Kershner who will be making our comments, and our comments are fairly broad-based and are going to cover pretty much everybody.

MR. KERSHNER: Madam Chair, Commissioners, Bruce Kershner. I'm the Executive Director of the Florida Energy Solar Industries Association, and I'm here to speak specifically to just one portion of the dockets that are in front of you today. And certainly my comments are going to be touching on all the dockets, all the ones that are in front of you this morning, specifically the solar program.

This program is just a small portion of the overall program, approximately $24-1/2 million. The rate increase is only from about 12 to 19 cents per residential rate user.

I've got a few points that I would like to cover here this morning, excuse me, as it relates to, first off, the administration and marketing costs. If you take a look at the percentage, they vary greatly from a low of about 9.8 for Progress all the way up to almost 20 percent. And this is something that we believe, you know, if we move forward with this program that this should be looked at by the Commission. We feel that the administrative and marketing costs should be no more than 10 percent.

And part of the reason that I say that is we just sunsetted a program that the Florida Legislature had implemented on a solar rebate program. It was a very successful program. As a matter of fact, the bottom line was the demand outreached what the Legislature was able to provide in funding out of general revenue. So the point I'm trying to make is that the industry, the solar industry itself when this program was implemented in 2006, basically did all the marketing that was required.

There was no money expended by the Legislature for marketing. The program was set up and it was run through the Governor's Energy Office. And, like I said, the marketing basically was done by the industry itself. And currently we have about $50 million that is still owed residents. Recently the Florida Energy and Climate Commission appropriated about $13.8 million from some reallocated funds to help start paying that down. So that will get us down somewhere around $40 million. So to the administrative and marketing, we believe that we can -- the industry can provide adequate marketing.

To another issue here, PV for schools, again, there's a wide range. I would like to call to your attention that there is currently from the federal stimulus money approximately $12 million that is being spent on PV for schools. And, again, we would like to see this amount reduced to no greater than 10 percent across the board. We need to get the solar programs implemented by January 2011. The soonest the programs can be available to the public and approved today, then the quicker we can get the industry moving again.

Timing is very important. We believe that the industry is poised to be able to create an economic development, long-term employment, and currently with the sunset of the existing state rebate program, we're starting to see layoffs within our industry after they had ramped up over the past four years. So, again, we would urge the approval of the solar rebate component of this program as we move forward today.

Thank you.

CHAIRMAN ARGENZIANO: Thank you.

What I need to do is I'm going to give our court reporter a break at 11:00. Is that good? Okay. And I have two people on the phone, so if staff wants to hang on. I believe, Mr. Baker, are you going to address us at this time?

MR. BAKER: I will. To begin with, thank you very much for going through the difficulty of setting this up by telephone. It's very much appreciated.

To begin with, just very briefly, I would like to just state that I'm a senior manager for the Wal-Mart Sustainability Program. And specifically to the Progress Energy report, I just have a couple of items that I'd like to go through very quickly. And a lot of these items are going to touch on every docket.

I think almost all, if not all, of the proposals that I read had provisions in there for audits. Companies like Wal-Mart, we have the ability to perform audits and, in fact, do audit our own suppliers. Specific to the Progress Energy plan, they had a section listed Innovative Incentive Program, and I would really ask the Commission for them to put more detail in their document as to what is meant by their Innovative Incentive Program. It seemed to me that it could include virtually anything, and I would like to see more specificity in that.

One thing, moving a little bit into the renewable side, renewable energy credit ownership. Wal-Mart has an aspirational goal of being 100 percent renewable, and I don't recall anywhere in the documents renewable energy credit ownership being addressed. And I think that needs to be addressed, and I think that the generator of the power should be the owner of that renewable energy credit, whether it's retained by the host customer, the vendor, or net metered back out onto the grid, the owner of the electricity should be the owner of the REC.

And going on, on Pages 168 through 184 there's various comments in their filing about direct load control. Although there are programs not involved with direct load control, direct load control is something that businesses like Wal-Mart, and I don't want to speak for other businesses, but I know they are out there, that direct load control simply doesn't work. You can't risk losing, you know, millions of dollars because the temperature in the refrigeration case, for instance, went too low, or power was downed at a critical time and caused some other sort of financial problem.

We have our own meter data management system, our own submetering. Because of that, we would ask that we should be able to use our own metering and should have free access to any data that comes off of that.

Another thing that I found a little bit disturbing -- not disturbing, but questionable in the filing is the demand-side management renewable portfolio. And I'm not clear why there needs to be, if I understood the filing correctly, why there needs to be a five-year pilot. I believe that's on Page 202. I think there is enough renewable energy. I mean, I think Wal-Mart alone right now has over -- is using over 200,000 megawatt hours annually in Texas on wind, and we have approximately 40 facilities right now and we are adding more all the time with solar on the roof. I mean, there's plenty of companies doing that. There is plenty of information. And I don't see why a five-year pilot program would be necessary for that.

But I would like to compliment Progress on their tiered rebate. To me that is very generally similar to California's CSI program which we have found to be one of the most successful programs in the country. And, again, we very much would appreciate it if we could determine what happens to the renewable energy credits.

Another main issue that I'd like to address is that companies like Wal-Mart spend a tremendous amount of money every year with their -- implementing their own energy efficiency programs and demand-side management programs. We have deployed a number of technologies. We have a daylight harvesting system, which lighting intensity automatically adjusts given the amount of incoming daylight from skylights. Highly efficient HVAC utilities that exceed the most stringent energy codes in the U.S. White membrane roofs that reduce the cooling load. A heat reclamation system from our refrigeration equipment that meets approximately 70 percent of the hot water needs of the SuperCenters. We use T-8 and LED lighting in the stores. We actively dehumidify the store, and that enables it to operate at a higher temperature and use less electricity. And we have radiant floor cooling that goes on in the floor -- or in the store, and that is just in our basic prototype.

And when we spend our money on that and then turn around and have to pay for the ECCR charge, or system benefit, whatever charge you want to call it, we are actually paying double for these types of programs. And for that reason, Wal-Mart would request the Commission consider allowing customers that meet certain guidelines to be able to opt out of those charges if they are, indeed, spending that money on their energy efficiency.

Other advantages to doing that is that it reduces the overall energy costs that results from reduced load and demand on the system. It increases the reliability that results from the customers' reduced energy demand. The utility's other customers enjoy all of these network benefits without having to fund such measures through their rates or additional recovery riders. Essentially, those large customers who have undertaken their own conservation and energy efficiency programs provide these benefits to all other customers at no cost to the ratepayers.

Individual customers best understand their unique business operations and are able to create programs tailored to maximize the impact of the energy efficiency and DSM measures installed in their facilities. Additionally, due to the size and the scope of the measures they can implement, these customers will benefit from the competitive marketplace for energy efficiency goods and services as energy service companies compete to provide the most innovative and cost-effective products to those customers.

Finally, and this is very important, the individual customer, if they choose to opt out of the program, and it may be that they choose not to, but the individual customer assumes all the risk of the investment such as the risk that the installed measure will, in fact, conserve and reduce the energy load as opposed to that risk being passed on to other ratepayers. Thus, the customer will have every incentive to ensure that the implemented measures are cost-effective, and as a result both the individual large customers as well as the utility's other customers benefit.

And I'd just like to briefly say, too, before I turn this over to our attorney, is currently just to give you some idea of the scope of Wal-Mart in Florida, we have 171 SuperCenters, 33 Discount Stores, 27 Neighborhood Markets, 43 Sam's Clubs, and six Distribution Centers, and so we have quite a huge load in the state of Florida right now.

And with that, I will either take questions, or with the Commission's permission I will turn it over to Rick to complete our statement this morning.

CHAIRMAN ARGENZIANO: Thank you, Mr. Baker.

Commissioners, any questions at this time for Mr. Baker? Mr. Baker, am I correct you are going to stay with us, or is it Mr. Chamberlain --

MR. BAKER: Yes, I will be with us until 11:30 your time and then I have to catch a plane, but Mr. Chamberlain will be on the total of the call.

CHAIRMAN ARGENZIANO: Okay, great. And we will hear from Mr. Chamberlain, then. Thank you.

MR. BAKER: Thank you.

MR. CHAMBERLAIN: Thank you, Madam Chairman, I will be very brief. Mr. Baker covered most of the points I wanted to make.

The one thing I would add would be in looking at the staff's recommendation in this particular docket and in the other DSM dockets before the Commission, the analysis as to cost impact compares the cost of the programs in total to the goals and concludes that there is no undue rate impact.

That analysis is fine as far as it goes, but it does not, in my estimation, really focus on the cost to customers. And I think it is pretty clear from reading the statute that that is one of the charges that the Commission is charged with is to really look at the costs of these programs to the customers. And in particular, I would say that that would include customers who have already implemented many or most of these programs.

So for those reasons, I would concur with Mr. Baker's comments advocating the ability --

CHAIRMAN ARGENZIANO: Mr. Chamberlain?

MR. CHAMBERLAIN: Yes.

CHAIRMAN ARGENZIANO: Could you hang on a second?

MR. CHAMBERLAIN: Certainly.

CHAIRMAN ARGENZIANO: Chris, is the volume all the way up? We're having a hard time hearing you.

MR. CHAMBERLAIN: Okay.

CHAIRMAN ARGENZIANO: The volume is up, you just need to speak a little louder, if you would.

MR. CHAMBERLAIN: Okay. I'm not sure where you --

CHAIRMAN ARGENZIANO: No, we heard you, but you were getting a little lower. So I don't know if you were getting further away from the speaker or not.

MR. CHAMBERLAIN: I appreciate that. I was concluding my remarks and just saying that I would concur with Mr. Baker's comments that the cost to customers, I think, is a primary consideration for the Commission, and one of the reasons why we would advocate the ability to self-direct the energy conservation fund as he has outlined. Thank you.

CHAIRMAN ARGENZIANO: Thank you. At this point let's take at least a ten-minute break, give our court reporter a break, and then we will come back. And, Staff, I understand you want to go through individually each -- okay, great. We're on a ten-minute break.

(Recess.)

CHAIRMAN ARGENZIANO: Let's go ahead and start. And Commissioner Skop, I'm sure, will be joining us in a moment.

Any questions for Mr. Baker?

It doesn't seem like it at this moment, Mr.

Baker, so just hang with us as long as you can.

MR. BAKER: Thank you.

CHAIRMAN ARGENZIANO: Okay. Who's up first?

MR. BEASLEY: Madam Chairman, I'm James D. Beasley of the law firm of Ausley and McMullen on behalf of Tampa Electric Company. With me today is Howard T. Bryant, manager of rates for Tampa Electric Company.

Tampa Electric has two principal concerns regarding the staff's revised recommendation.
Mr. Bryant is prepared to address those concerns, and I would ask that he recognized for that purpose.

CHAIRMAN ARGENZIANO: Good morning, Mr. Bryant.

MR. BRYANT: Good morning. I appreciate the opportunity to share our thoughts with you. Those two concerns, number one, would be the fact that the staff's recommendation indicates that the accomplishments that the utilities can secure through the renewable expenditures that we are to do should not count toward our DSM goals, and I would like to divide -- that's the first issue. The second issue is going to be cumulative versus incremental or annual goals.

If I can come back to the solar, and if I can deal with it from two perspectives. First, the fact that what has been required of us and, in fact, I believe the utilities are supportive of promoting the renewable energy, but what has been required of us is to establish a funding mechanism. And the question is should a funding mechanism apply to a set of technologies count or not count toward goals. And I'll go back to the 1995 goal-setting process, which I was a part of that. You can tell by the color of my hair and the lack thereof I have been doing this for a little while, but nevertheless, the order that came from the original goal-setting process, the order states that FPL, FPC, which at the time was Florida Power Corporation, Gulf, and TECO shall explore the development of alternative funding sources to promote the installation of solar water heating and other renewable measures. And then it goes on to state that any demand or energy savings achieved through implementation of solar or other renewable measures shall be counted toward accomplishment of the utilities' conservation goal.

So today we find ourselves with a funding mechanism that is in place five years, $24-1/2 million per year across the state, and we would suggest that to be consistent with previous rulings, in fact, from the original goals proceeding that if we have demand and energy savings coming from those technologies that, in fact, they should count. But the second reason I believe that they should also count comes from the fact that we are calling this particular expenditure and this five-year program a pilot.

And so the question is should a pilot program have its demand and energy savings count as well toward a utility's demand and energy goals. I will give you two examples where this Commission has previously ruled that that is an appropriate approach to take. First is in 1995 in that original goals proceeding when Gulf Power brought to the table what was called an RTP program, a realtime pricing program, it was deemed a pilot, and the company was allowed to count the accomplishments of that pilot toward its demand and energy goals at that particular point in time.

Now we come forward to 2003. In 2003, this Commission allowed Florida Power Corporation to have an on-call -- what was called an on-call pilot program. On-call was simply their name for their residential load management program. The effort for that on-call pilot was to determine market acceptance of a lower incentive for load management. And the theory was if we can promote it and we can maintain participation at a relatively strong level or certainly from a historical perspective somewhere close to where they had been experiencing it that, in fact, lower incentives would be good. Participation would continue, number one. Number two, it would be a lower cost to their customers while still getting the demand and energy savings from the on-call program.

That on-call program lasted from 2003 through 2006. At the end of the pilot, the Commission determined that, in fact, participation would continue. It stayed very strong, number one. And, number two, they said that through the process of that on-call program over those years that demand and energy that was accomplished could, in fact, be counted toward the utility's goals. And so from that perspective Tampa Electric, and I believe the other utilities would say and would ask that the accomplishments that we can secure through the solar energy initiative that we have, in fact, should count.

If you think about the technologies that we are talking about here, there is two principal technologies. One is solar water heating and the other is PV. Solar water heating has been around for 30 years. In fact, solar water heating and other renewable technologies have been a requirement of evaluation in the goals proceedings since even the early '90s, but solar water heating has been around for quite some time and so has PV. So we are not trying to determine the demand and energy savings associated with those measures. It's known.

In fact, the Solar Energy Center in Florida can give us exactly what is going on. So it is very monitorable, it's very measurable, and we can determine what those savings are, depending on the number of participants that we have.

Also, if you think about it from the standpoint of Progress Energy, and I'm not picking on each one, but there's good examples from each utility to support what I think we would like to do here. Progress Energy today has a program, a bona fide program that promotes solar water heating. It couples with it load management, but it is a solar water heating program. That program was allowed to be delivered to the marketplace in their service area in 2006. And as that program has been delivered, the savings from that program has counted toward Progress Energy's demand and energy goals.

If, in fact, we now cannot count the demand and energy goals from the expenditures we are going to make going forward, here's the situation that gets created. The day that the expenditures begin toward the \$24-1/2 million is the first day that Progress Energy can no longer count the demand and energy that they have been counting for the identical technology that has been promoted and allowed to be counted, but now because it's part of the expenditure, it cannot count any longer, yet it's the same technology.

If you look at JEA and the recommendation that is before you for JEA, they, too, have solar water heating and they have PV in their portfolio of programs to be delivered into their marketplace. The staff recommendation indicates that they should be counted. Again, we would see an inconsistency there from history as far as evidence today that would suggest that it ought to be counted. And so we think it should be counted, that's pretty obvious from what I have said, but the technologies are not new, past rulings we think should have precedent here, and the kW and the kWh or the demand and the energy savings are, in fact, known and can be monitored, and can be measured, and can be quantified.

The expenditure that we are talking about here, the 24-1/2 million over a five-year period, upwards of $120 million, is projected to accomplish the following penetration of these two measures across the state of Florida. Some 3300 PV arrays are projected, if you look at all the utility plans. Some 3300 PV arrays are projected to be delivered into the marketplace in five years. Solar water heating has some 33,000-plus measures or installations that are projected to occur in the state of Florida. We think it is sizeable, and we think it should count.

If it doesn't count, then what that leaves the utilities in the predicament of is going and finding yet more measures and spending more money for no longer low-hanging fruit, but certainly more measures and more money to try to compensate for the demand and energy that we are currently being told should not count, and we're not sure that that is a reasonable approach to take, again, given history, given what other utilities are doing. So we think a consistency there would be appropriate.

Let me get a drink of water here. Not only do I have a bum hand, but I've got a dry mouth.

The second issue deals with cumulative goals versus incremental goals, and should the utility be held accountable on an annual basis for its goals or should it be held accountable on a cumulative basis for its goals. Again, I harken back to 1995 when the current process that we have for DSM goals was first initiated. In that 1995 period, as the order came out, the goals for each utility was identified on a cumulative basis.

If you look at the data that supports it, again, what was adopted was the staff's recommendation and that recommendation was delineated in a cumulative basis.

If you go to the next DSM goals-setting docket, which would have been for the 2000 through 2009 period, again, as you look at each utility's goals that were in the order, you will notice that they, again, are listed on a cumulative basis. Not on an incremental or an annual basis, but on a cumulative basis.

And then, finally, if you look at the 2005 through 2014 order, not only are they listed on a cumulative basis, but the narrative piece identifies them as cumulative goals. And so that's kind of the history that is behind at least the goals-setting process. But to go a step further, this Commission has to report each year to the legislature in the form of a FEECA report what are the accompishments of the utilities relative their DSM goals. That reporting is done on a cumulative basis. And if you go to the website and begin looking at what's available on the website starting in the year 2007, which I think is the most recent that I found, and if you go to the section the describes the utilities accomplishments, what you will find is there is a table every year, at least for the five years going backwards that I found the data, and it says -- it identifies each utility, it identifies their accomplishments, but the narrative underneath says here are the utilities that meet or surpass all of the Commission-approved cumulative demand and energy goals, and it states them for 2007, and it lists most of the utilities.

If you were to turn to 2006, you would see the same table and you would see the same narrative. And you would see, for instance, it says Progress Energy and TECO met or surpassed all of the Commission-approved cumulative demand and energy goals in that particular year. If you go back, and the pattern has been set and the pattern has been established all the way back to 2003, FPL has surpassed its cumulative residential energy goal. TECO has met its cumulative commercial/industrial demand goals. So we account for things on a cumulative basis; we have goals established and put forth in an order on a cumulative basis; we report to the legislature on a cumulative basis; it would be our suggestion that we continue that protocol.

Now, in the event that we want to switch over and take a look at the utility plans and do the utility individual plans put forth demonstrate their ability to accomplish goals on an annual versus a cumulative basis, I would submit that our plans that have been passed in the last three proceedings, the '95 process, the 2000 process, and the 2005 process, if we were to look at those, you would see occasional years throughout each of those where Tampa Electric did not indicate that they would meet an annual goal, but they always indicated that they would meet the cumulative goal at the end of the period. Again, consistent with the reporting format that the Commission uses to the legislature.

And so from that perspective, from the standpoint of past rulings of goals-setting and planned approvals, from the standpoint of the reporting format that you folks use for the legislature, we would simply ask for that same consistency in today's decision-making process and the fact that our plan should be looked at on a cumulative basis, and I'll give you the one example and that ends my comments.

If, in fact, we are now going to be held accountable for annual goals, we can look down the road for five years. And let's assume, in my example, that the goal each year is ten megawatts, megawatt hours, but assume the number is 10. And if the utility accomplishes 12 in that given year, they have met certainly the annual goal. In the second year the goal is 10. If the utility, again, accomplishes 12, again, they met the annual goal, but the cumulative thus far is twenty-four. You go to the third year, the utility does 10 -- I'm sorry, the goal is 10. The utility accomplishes 12. And then you go to the fourth year, again, 10, and the utility accomplishes 12. And we are looking at a five-year period here for this example.

At the end of four years the utility's cumulative goal has been 40, the utility's cumulative accomplishment has been 48, meeting both whether it's annual or whether it is cumulative. But now let's go to year five, and if for some particular reason the utility is unable to accomplish its annual goal, which we will assume, again, it is 10, then, if the utility -- let's suggest that they accomplish 8, that says for five years cumulative goal is 50, and it says for five years the cumulative accomplishment of the utility is 48, the four previous years of 12, add the 8 they got in year five, you will be at 56. The decision then becomes did this utility accomplish its DSM goals.

Cumulative the goal was 50, the accomplishment was 56, yet in that fifth year they missed it. And so is the utility negligent, or did the utility make it? History tells us and the reporting format that has been used that the utility has made it; and, in fact, we would submit that to be the case, and what we want to be measured on today.

Thank you.

CHAIRMAN ARGENZIANO: Thank you.

Ms. Kaufman.

MS. KAUFMAN: Thank you, Chairman and Commissioners. My remarks in regard to Tampa Electric are much briefer than they were in regard to Progress Energy, and they mainly center around some implications, I guess, or some suggestions that we read in the Tampa Electric recommendation regarding the interruptible program.

And, again, as I pointed out with Progress Energy, if you take a look on Page 11, you will see the various programs, and you will see that the interruptible program called industrial load management is one of the most cost-effective programs that Tampa Electric has. There was some suggestion being made on Page 17, as I read it, that if it were your goal to try to reduce rate impact, which certainly I discussed in the Progress matter, and we certainly are in support of, that you ought to look at the top five programs that contribute to the ECCR charge, and maybe make some reductions there.

I think I would disagree with that, and I believe it was my SACE colleague that said you need to look at what these programs do, what they bring to the table, and what their value is. As I said, the interruptible program is probably the most cost-effective program on the map here and it has a lot of benefits to ratepayers. One of them being that it has saved Tampa Electric from building capacity in the past and it's going to do so in the future.

In addition, Tampa Electric can use this as contingency reserve and avoid building capacity for which all ratepayers would have to pay. Thirdly, Tampa Electric doesn't burn any fuel to provide this reserve capacity. And just to give you an example, if this program were to be removed or if the credit levels were to be -- or the incentives were to be cut dramatically so that it would drive customers away from the program, and these customers were to go and be served under a firm rate, which I would say to you is not necessarily the case, you know, they may leave the state, they may leave the system, but if they were to move to be served under a firm rate, in just the first year Tampa Electric would have to build about $143 million worth of capacity to serve them.

And so I think as was suggested, that when you are looking at this you need to look at the value that a program brings. And it may be that as I think, and as my clients think, this is a highly valuable program to

Tampa Electric and their ratepayers, and so I didn't want to let that comment pass without pointing it out to you. We certainly think not only is the IS-2 program highly effective, but we suggest you should reopen the IS-1 program as a highly effective conservation program.

Thank you.

CHAIRMAN ARGENZIANO: Thank you.

Mr. Cavros.

MR. CAVROS: Madam Chair, Commissioners, I just have a few comments.

In relation to whether the solar savings should be included or not in reaching the goals, you know, staff is correct in its assertion that the savings from the solar programs would be inconsistent with the order as it's written. But that said, the statute seems to suggest that energy savings from demand-side renewables actually should be incorporated into utility goals-setting. The statute reads, "The Commission shall adopt appropriate goals for increasing efficiency of energy consumption and increasing the development of demand-side renewable energy consumption." That suggests to me that DSM goals should be included. And DSM goals should include the effects of demand-side renewables, too, in meeting those goals.

You know, this is an issue that was

probably -- more appropriately should have been raised in the FEECA docket, not in the implementation docket. But SACE would not oppose inclusion of the energy savings from those programs in meeting the utility goals.

The second comment I wanted to make was the annual goals versus cumulative, and I'll use PEF as an example. You know, PEF defers a significant portion of its energy savings until after the fifth year, which also coincides with the next FEECA docket. In fact, they achieve only 28 percent of their goal by 2014, so that leaves a huge question after that five-year period. What happens to the other, you know, 70 percent of the goal that they did not achieve.

So, you know, we certainly support a small ramp-up, if the Commission decides that one is necessary for a utility like PEF that has pretty substantial goals, but we support staff's position in terms of trying to stick to the annual goals as much as possible.

And, lastly, I also wanted to address an issue that was raised by Vicki and also by Wal-Mart regarding their energy efficiency programs. They do a lot of energy efficiency programs on their own and feel they shouldn't have to pay for others, and that is certainly justified. I would encourage both the customers of those classes, those large industrial and large commercial class customers to work with their utility to establish self-directed programs. I believe TECO actually has a program like that, but it's a program where the large customer actually submits, if you will, sort of a mini-efficiency plan of their own to the utility. If the utility approves it, the customer is rewarded and the utility gets credit for the energy savings from the customer's efficiency efforts.

And as far as the -- you know, I also made some other generic comments that apply to all the dockets and it would apply to this one, as well. Thank you.

CHAIRMAN ARGENZIANO: Ms. Brownless.

MS. BROWNLESS: Yes, ma'am. We would reiterate that TECO does only use 10 percent of its allocated solar funds for administrative and marketing costs, which we think is the correct amount. And also that they only use 10 percent of their total funds for PV for schools as opposed to Progress Energy who uses 31.7 percent of their funds for PV schools. And why that's a significant issue for us is, of course, as installers and marketers of PV systems, we would like these set-aside funds to go to the greatest number of people, and that means the greatest number of residential and business customers and commercial customers.

So having such a large allocation toward one segment, a segment which is also being subsidized through other programs appears to us to be inappropriate, and we would like that to be no more than 10 percent, which, as I say, would be consistent with TECO's.

On the issue of counting solar megawatts toward the IOU's goals, I believe that the gentleman from TECO was exactly right. Progress Energy, for example, has had that combined load management hot water heater program and a load management PV program for many, many years. And if you remember at the hearing we advocated that the other utilities look at implementing those combinations themselves.

We certainly don't want to penalize anyone who wishes to do that, because we think that's a good program, that's a way to reduce the costs of solar, which we all know is expensive and do it in a very practical way. So we don't want that to be penalized simply because that program has now been moved from the big pot of energy efficiency measures to the smaller solar energy pot, so we would agree to that.

One thing that we would also like to mention, and this applies to everybody, is that our basic take on this is we are very appreciative. We got our pot of money. Thank you very much. We don't have any large issues with the basic structures of the programs that have been proposed by Progress, or TECO, or anyone else, actually. What we would like to see is their speedy implementation, and also we are asking for little tweaks.

In other words, we're not asking for a basic restructuring of the programs that have been proposed. We are saying cap it at 10 percent, move the monies around, you know, not start over again. And so in that perhaps our little solar programs are very different from what the staff is recommending with regard to the broader energy efficiency programs. And so I guess what I'm suggesting is that regardless of what is done in the other areas, perhaps solar could move forward on its own.

We desperately need to get the money out there and working to keep our industry up and going, so we are distinct from the other guys, and you might be able to move forward with us, approve our program with the recommendations we have made, and let us go forward, notwithstanding whatever happens with the other energy efficiency programs.

Thank you.

CHAIRMAN ARGENZIANO: Thank you.

Either Mr. Baker or Mr. Chamberlain.

MR. CHAMBERLAIN: Thank you, Madam Chairman.

We would just reiterate the comments that we made previously and ask the Commission to consider those comments in connection with this docket, also.

CHAIRMAN ARGENZIANO: Thank you.

Staff.

MS. LEWIS: Have we heard from Gulf?

CHAIRMAN ARGENZIANO: No, I just want to make sure you didn't have any comments at this point, but we will move on to Gulf and then we'll take it from there. Thank you.

MR. GRIFFIN: Good morning, Commissioners. My name is Steven Griffin, and I'm here on behalf of Gulf Power Company. With me is Mr. John Floyd, and we are here today to ask that you approve Gulf Power's DSM plan as filed and without modification.

We share the concerns expressed by the other utilities with staff's proposal to exclude solar savings for purposes of goal achievement. Our primary concern is cost, and exclusion of the solar savings will result in Gulf Power's DSM plan not meeting the overall goals. This is necessarily going to result in additional expenditures to recoup those savings through other programs, and that is also going to result in higher bill impacts for our customers.

Given that the Gulf Power customers are going to be expending over $1 million annually to fund these solar programs, we believe that it's appropriate that those savings should count toward the company's goals. We also share the other utilities concerns with staff's position that DSM plans must meet the goals for each year. If the Commission allows Gulf Power to count its solar savings toward its goal achievement, Gulf's DSM plan meets the company's overall goals for energy and demand.

If you look to the tables prepared by staff, you can see the goals projected savings fall short of the annual goals in the early years and in the later years. However, if you look to the middle years, you can see that Gulf's projections substantially exceed the annual goals. Importantly, the net effect is that Gulf Power exceeds its overall goals as a result of that ramping up and ramping down of projections.

Importantly, it is not Gulf Power's intent to in any way circumvent the Commission's goal order with this ramping up and ramping down of savings projections that you see in the tables in staff's recommendation.

What that does reflect is Gulf Power's best effort to design a DSM plan to achieve the overall goals established by the Commission while at the same time recognizing the substantially increased level of goals from what we have experienced in the past.

If you look to Gulf Power's DSM plan, that is the largest expansion of DSM in the company's history. As staff recognizes in their recommendation, we're looking at an increase of over 1,000 percent in our annual energy goals. If you look to the lower projections in the earlier years for our plan, those reflect the fact that many of Gulf's programs are new and that it's going to take some time to increase customer participation.

Likewise, as programs mature, you tend to see a decline in participation rates. That's why you see the savings ramping down in the later years. Gulf Power believes that this approach is best geared toward managing costs for our customers.

Compliance with staff's recommendation, on the other hand, would require the company to increase participation in existing programs and to potentially add new programs. And we have concerns that this would further increase costs with little corresponding benefit.

We believe that Gulf Power's plan is consistent with the intent of FEECA, we believe that it is consistent with the Commission's goals rule, and we believe that it is consistent with the Commission's historical approach to measuring and reporting goal achievement as Mr. Bryant explained earlier. Thank you.

CHAIRMAN ARGENZIANO: Thank you. Who's next? Ms. Brownless.

MS. BROWNLESS: Just to mention that with regard to Gulf, their administrative and marketing costs are at 17 percent, which is quite high, and their PV for schools program is at 16 percent. So, again, we would like to see those reduced.

CHAIRMAN ARGENZIANO: Mr. Cavros.

MR. CAVROS: Thank you, Madam Chair, Commissioners. Another reason to count the renewable energy savings in the goals is accountability. You know, you can benchmark how successful the programs have been. Under that same logic it also makes sense, although it hasn't been raised in this particular docket, this also include audits and savings through audits in the goals. Right now all we are doing is counting the dollars, we are not tracking the results. And I think once you track the results you will get much more robust audit programs when the utility parties are held accountable.

And I did want to just take a moment to applaud Gulf Power for proposing what we think is a cutting-edge program and a very popular program throughout the country, and that is the home energy comparison report. And if you are familiar with that, you know, the Sacramento Municipal Utility District ran this program with half of their customers. The other half were just business as usual. And they sent these customers reports on how their usage compared to their neighbors, to buildings of similar size and square footage, and what they found over the course of a year is that the control group actually reduced use and saved energy by 2.2 percent, while the group that did not receive the conservation reports, the comparison reports actually business as usual, you know, just kept going. So they achieved a 2.2 percent energy savings just in one year, so this is an indication of the kind of cutting-edge programs that we can use -- low cost programs in Florida that we can use to achieve savings pretty rapidly.

Thank you.

CHAIRMAN ARGENZIANO: Thank you. Ms. Lewis.

MS. LEWIS: Good morning, Chairman. Kathy Lewis, Commission staff. Would you prefer for each staff member to introduce each of their items now?

CHAIRMAN ARGENZIANO: I think that's the best way. And then, Commissioners, any questions, just jump right in and then we'll --

MS. LEWIS: Okay. Thank you. There have been a lot of issues raised, but I want to just summarize staff's recommendation with regard to Progress Energy.

CHAIRMAN ARGENZIANO: Okay.

MS. LEWIS: To summarize, Progress Energy's proposed DSM plan does not satisfy the annual demand and energy goals set by the Commission through the order following last year's goal proceeding. Therefore, consistent with *Florida Statutes,* staff recommends that Progress be required to file the program modifications necessary to bring their DSM plan into compliance with the Commission's order within 30 days. If Progress fails to bring its plan into compliance, the company could be subject to financial or other penalties as per *Florida Statutes*.

Now specific to Progress Energy and as discussed in Issue 4, it's already been mentioned that some of the incentive amounts that Progress provided for certain measures do exceed the projected customer cost. Therefore, staff would expect that the company will adjust these incentive levels in its compliance filing.

In addition, staff is recommending that Progress not be permitted to recover the cost of such incentives through the energy conservation cost recovery clause. However, to avoid delay in implementing the programs that are cost-effective, staff recommends that the programs which are projected to be cost-effective should be allowed to go forward so customers can go ahead and begin participating in these beneficial programs that could reduce demand and save energy.

Finally, staff notes that your vote today is simply a first screen for these programs, and the Commission will have an opportunity to further scrutinize the associated costs and benefits of these programs in both the 30-day compliance filing and during the ECCR proceeding.

Staff is ready to answer your questions, or we can move and let TECO be -- you want to introduce TECO?

CHAIRMAN ARGENZIANO: Commissioner Skop.

COMMISSIONER SKOP: Thank you, Madam Chair.

And just a question to staff on the Progress portion of the docket on Item 7. With respect to some of the concerns cited by Mr. Cavros with respect to escalation factors, has staff formed an opinion as to the accuracy of that statement or that assertion?

MS. LEWIS: We have not. We don't have an opinion at this time about the appropriateness of the escalation factors.

COMMISSIONER SKOP: Okay. With respect to Mr. Burnett's comments, and specifically in relation to the first chart of his handout, the bar graph showing that Progress's DSM energy reduction goals is a percentage of average retail sales are, in most instances, 3 or 4 percent higher than the other investor-owned utilities, has staff analyzed the validity of that assertion or does staff have an explanation as to what may be causing that discrepancy, if you will?

MR. TRAPP: If I may address that, please. Commissioners, I really feel before I -- well, the answer to your question is no. This is the first time that staff has seen this exhibit, and I think it leads us to desire even more to have the company explain a little bit better some elements of their proposed program.

COMMISSIONER SKOP: Okay. All right. Thank you. And then just two more questions, Madam Chair.

With respect to staff's comment in relation to its recommendation on the Progress about that the company may be subject to penalties if it doesn't meet its goals, I guess has staff considered in relation to that the fact that, you know, the goals that were set by the Commission were in fact robust and aggressive goals?

Again, I guess my concern would be we want to encourage utilities to meet the goals, but, you know, if they're stretch goals and ambitious, aggressive goals, you know, we certainly don't want to penalize them if they don't meet every particular goal. So, again, I'm trying to get staff's perspective on that. Because it was a bold statement put out there, and, and, you know, when we set forth on this ambitious goal setting initiative, we knew they were aggressive goals.

MR. TRAPP: You're getting right into what I wanted to present as an opening statement in response to some of the parties' comments.

If we go back to what we're here for, we've come down a long path to get here. And we, in setting these goals, staff brought recommendations that didn't go far enough. The Commission asked us to bring back more aggressive goals based on the record that was established in the goal making docket, which we did. You voted that out, and you did vote aggressive goals based on a new statute. We are not dealing with a 1980 FEECA here. I think we need to be careful as we implement this new era that the inertia of the past not interfere with the innovation of the future. And I'm hearing a lot of rebuttal arguments here, quite frankly. Rebuttal is over. We're here to implement the programs.

Now I think the Commission did say in their final order that rates was an important consideration and recognized that you were setting aggressive goals. And part of that aggressive goal setting was also based on a statute that said we can now reward and penalize performance. In a five-year review process and a ten-year goal setting element, how does one assess accomplishment except on an annual basis, thus the movement from cumulative? The order was very specific. And it's staff job, having made our arguments and heard the Commission vote, to implement the Commission's order, and that's exactly what we bring you today, a strict implementation of the Commission's order.

Now that's not to say that the Commission doesn't have the ability to show flexibility, concern and, and movement with respect to that order as you look at rate impact, achievements and that type of thing in these goals. But each of the companies has come to you with a plan that, quite frankly, in my opinion, is all over the board. Some phase in, some wait 'til the last year, some have intermittent achievements in between, and we're seeing inconsistency in the approach toward achieving goals.

So staff looks at that and says technically they have not met the annual requirement of the order. Now they all cumulatively appear to get there, but the order said annual. And that's, that's what we judged and that's why we bring you a recommendation that says I think we need to sharpen the pencil a little bit and we'd like the utilities to come back.

Now specifically with regard to Progress, if I may turn there, or if you'd like to wait, I can. With respect to the Progress arguments, I think what I hear basically is that the problem is, basically it is with their technical potential program, which is to me kind of a hodgepodge of let's throw some money at it. That represents about 50 percent of their goal achievement, and it's a significant part of their cost.

If you offer relief in that program, without first sharpening the pencil a little bit, basically what you've done is eliminate about 84 percent of the two-year payback component that was added to the goals. That was an element that the Commission added into the goals. If you do that for Progress, then I think you may have to look at what affect that had, that decision has on other utilities with respect to their two-year payback component. Again, we believe it better to sharpen pencils and come back in 30 days with a little fine tuning. We're troubled by some of the assumptions that Progress made with respect to the level of incentive and the level of participation that would be required to accomplish that portion of the two-year payback potential that was out there. You only adopted a portion of it that showed up as being feasible in the, in the economic studies and the goal setting, but all of the sudden now results in program costs that look questionable in our mind.

So, again, we think we'd like to work with Progress to sharpen that pencil a little bit and be convinced that what they're proposing is, as SACE suggests, the best practice, most cost-effective thing to do.

With respect to the solar counting, quite frankly, if the Commission wants to count the results of the solar pilot program, staff is somewhat indifferent to that. We would note, however, that the methodology that you adopted to set the conservation goals did not include any kilowatts or kilowatt hours associated with that solar pilot. That was a separate goal setting element that was pulled out, and the Commission went to a funding mechanism. Now certainly it's staff's intent that performance under that program be monitored and reviewed. And as all pilot programs are, success gets rolled into the goal setting process. But at this point in time, the methodology that you use to set the program goals basically did not include that. So it's a matter of consistency.

There are a number of points that Mr. Bryant brought up with respect to past orders and past treatments of pilot programs. I'm perfectly willing, my staff is willing to go into the details of those decisions and what he calls inconsistencies to us or not. We can explain, make explanations, justifications for our, for the Commission's past actions.

With respect to annual and cumulative, I think I've quite adequately covered that by saying the order said annual compliance. And our understanding of that was because there was a change in the statute that put, puts more accountability on the utilities to meet the goals on an annual basis so that we can measure performance and hand out rewards and penalty based on practice. And that's all I remember to comment on at this point in time. I'd be happy to answer your questions.

CHAIRMAN ARGENZIANO: Commissioner Skop.

COMMISSIONER SKOP: Thank you. And thank you, Madam Chair and Mr. Trapp, for clarifying some of the historical background. I think it was very important to the Commission to set robust goals, but equally to get rid of that two-year screen that took away a lot of the potential. Because, otherwise, in doing so, some of the lower income families would not be able to take advantage of some of the available programs. So I think that that was one thing that the Commission had spent a lot of time and discussion, and I think that you addressed some of the, the points associated with that in looking at, you know, taking action without sharpening the pencil, if you will.

Just one final question in relation to the solar pilot programs. Some concerns were raised about the public/private allocation of such projects, and it seems to me on page 14 in the staff recommendation that Progress has proposed pilot offers, residential solar PV, commercial solar PV, PV for schools, and also a research and demonstration component. Does staff see any problem with the proposed pilot offerings as they pertain to solar for Progress? I mean, it seems to me that, you know, solar for schools not only provides an educational benefit, because I think the larger arrays are going to be on post-secondary educational facilities, but also on the smaller schools preference is given to schools that are going to be using, used as emergency shelters. So I was wondering how staff viewed the proposed offerings in light of some of the comments that have been raised.

MR. TRAPP: I think that staff has mixed opinions on what percentages should go in what categories. I know my own opinion is that ratepayer money is very close to public funds, if you would, and my personal belief is that the public funds should be used for public purposes, not for individual enrichment. And, therefore, I would personally recommend more heavily weighting to public schools, libraries, hospitals, things that are supported by the community chest, if you would, as opposed to putting in self-service installations that would benefit individual customers. But that again is my own personal opinion, and I'll open it to staff to give you others.

COMMISSIONER SKOP: Thank you, Madam Chair.

CHAIRMAN ARGENZIANO: Well, let's have some others, and then we'll go to Commissioner Graham. Would you like to give your opinion on that?

MS. LEWIS: Yes, please. Well, as regards to the specific Progress Energy solar programs, staff doesn't find fault with the individual programs. And I think the way that they were counted as, or not counted towards the goals was a consistency issue, trying to be consistent across all the companies. But we don't object if they, if you make the decision to allow them to count towards the savings.

MS. FLEMING: And if I could, this is Katherine Fleming, just to expand. With respect to the solar programs, what staff looked at was the Commission order which in turn made these solar programs an expenditure-based program. The Commission gave the utilities a pot of money to use based on the last five years of the ECCR. Staff looked at these programs to make sure that those programs fall within the cap the Commission put on the utilities with respect to solar. And that's really as far as the analysis went.

As far as looking specifically at percentages or the cost of administrative and marketing the Florida Solar Industry has suggested, staff did not look at that because the order did not place any conditions as to percentages, whether it should be public versus private or on schools or what percentage should be on administrative and marketing. However, we do recognize that the order did not state that, but that if the Commission desires to set some sort of uniformity across the board, that that would be something that's appropriate for the workshop so that all the interested parties can present their feedback as to what they feel is the appropriate percentage, and we can gather the necessary data in order to provide the Commission an informed, an informed -- information to make an informed decision.

MR. TRAPP: I'd also like to add that staff does not intend with this recommendation to bless any of these costs at this time. This is not a cost recovery proceeding as well. I think the utilities are under an ongoing obligation to demonstrate and justify the prudence of their expenditures. And, quite frankly, 20 percent administrative costs on a program that gets subscribed within 24 hours doesn't make a whole lot of sense to me. And I would like to put them, put all the companies on notice that staff will be looking at their administrative expenditures and expecting full justification before cost recovery is allowed or recommended.

CHAIRMAN ARGENZIANO: I think that's absolutely necessary.

Commissioner Graham.

COMMISSIONER GRAHAM: Bob, it sounds like I just heard a shot across the bow. (Laughter.) Beware.

Just so I understand, you said that you're not opposed to Progress getting rid of the technical potential just as long as, I guess, within this 30-day window they come back with what they're going to substitute it with.

MR. TRAPP: That's correct.

COMMISSIONER GRAHAM: And as far as the annual meeting, goal setting, you said that that was just an order of this board and not necessarily something that staff was pushing.

MR. TRAPP: It is not specifically addressed in the statute, although rewards and penalties are linked to an annual review. Thus, you know, the interpretation -- I believe that the Commission voted out making annual goals.

Again, our rule references annual goals. But I think the companies are correct that in enforcement and reporting accomplishments in the past we've looked more to cumulative. So I think it's up to the Commission to provide some guidance in that area as to how much weight you're going to give to annual versus cumulative accomplishment in the goal setting.

And that may come more in terms of when we see what actually happens. These are all projections. Every year we will have to report to you the annual accomplishments of the utilities and you will decide whether that's good enough or not. And if it is good enough or better, you may have to decide whether you want to give a reward. And if it's not, you may have to decide to do a penalty. None of those processes though, because we are in transition with the new statute, have been codified. So at this point in time staff is suggesting that it be done on a case-by-case basis company by company. At some point in time that may evolve into rulemaking, but at this point in time we're, again, trying to tread the path toward the innovative future and we're doing it by steps. We look to your guidance on how much emphasis to place on annual versus cumulative.

COMMISSIONER GRAHAM: What would your thoughts be if we went to something like a rolling three-year average sort of thing so it just, that window kind of moved along?

MR. TRAPP: I think if you, if you do that generically, we're going to have to enter into rulemaking, and then we'll hear a whole lot of opinions on it.

You know, at this point in time I would, I would really prefer to see a company filing of what it would take to meet the annual goals, how much it would cost, and then the decision on movement from there. But that's one of the problems we face here. We're through with goal setting. The goals have been established. If you're going to allow some variance due to rate impact, we need to figure a means by which to factor that back into the effect on goals or goal enforcement. It may be just a question of, you know, allowing a predetermined forgiveness band, if you would. But I think a three -- if you, if you voted today on a three-year rolling average -- I don't know. Can we do that?

CHAIRMAN ARGENZIANO: Well, the -- Commissioner Graham, I think, I think the reason you had suggested that was because you can incorporate cumulative into a three-year average.

And it's almost -- my personal opinion, I would think that if the Legislature, if the policymakers heard that, you know, in five years or three years or four years they may not one year have met an annual goal but cumulatively met their goal after the three- or four- or five-year period, that that is what they intended, I believe, it's my belief. So I think the average of a three- or a four-year might allow the company to be able to incorporate that cumulative goal and actually make their annual goals in a sense in those, in those few years. So I think -- but I think what you were saying is that the rule then would require a change.

MR. TRAPP: Yes, ma'am.

CHAIRMAN ARGENZIANO: Uh-huh. Rules change.

COMMISSIONER GRAHAM: That's all I have.

MR. BURNETT: Madam Chair.

CHAIRMAN ARGENZIANO: Yes.

MR. BURNETT: I'm sorry. I don't mean to interrupt the process, but a point of clarification on Commissioner Graham's question.

CHAIRMAN ARGENZIANO: Yes.

MR. BURNETT: Commissioner Graham asked Mr. Trapp if, if the staff had any problem with the technical potential program being removed and the new programs added. I just wanted to be clear and quote staff. Staff says that if a program is removed to reduce the short-term rate impact, the company's goals should also be removed as well. So I didn't want to give the impression that the TPP is the problem. That suggests we brought you a portfolio of bad programs. That's not what happened

The problem is the disparity in the goals. To get to that big number we had to give you a program portfolio. If our goals are down along the level of the other utilities, the 50 percent reduction, we wouldn't have this conversation right now. We would have the TPP type programs already in other programs where it made sense; for instance, low income customers, which are already there. But those programs wouldn't be here because we would not have to meet that goal. Because we have that high number, we're having to put these programs forward. So I just wanted to make that clear. It's not an easy fix just to do away with TPP. The problem is we got, we have to get there somewhere, and through TPP we put our best example of how we think we can get there. If we choose other programs, we're not going to meet the number. It just simply won't happen.

CHAIRMAN ARGENZIANO: Commissioners? Commissioner Edgar.

COMMISSIONER EDGAR: Thank you. Mr. Cavros, you gave us some longer comments when we first brought up Progress and some additional comments along the same lines as we moved on to TECO and Gulf. And I think that I agreed with pretty much everything that, that you said.

A couple of comments that you made resonated in particular, especially along the lines of wanting to do all that we can to make sure that, that consumers, customers, ratepayers, get, as you said, the bang for their buck.

And for this issue and for all potential rate impact issues that come before us, the way I generally try to think about that is, you know, what is good value, what is a good value for those that are being required to pay for it?

So I guess with that background, I would, would ask you from the perspective that you are speaking to us from, do you think that the, that the direction that we're going is a good value for customers, and what is it that you are suggesting or recommending today, that we do today?

MR. CAVROS: Okay. Well, that's a, kind of a multipart question.

COMMISSIONER EDGAR: Yes.

MR. CAVROS: Because every utility has offered different programs. I would say that the direction that Progress Energy is heading is not a good value for customers. In reference to Mr. Burnett's last comment that, you know, providing or submitting a technical potential program was the only way that he could, that they can meet their goals seems -- I'm surprised by that comment. Because there are utilities throughout the country that are achieving 1 percent energy savings per year, some of them are achieving 2 percent energy savings per year, and none of them are instituting what, what Progress Energy has termed a technical potential program where you try to reach a theoretical construct of, you try to reach everybody, you try to, you know, you try to have measures in place wherever they're technically feasible. That is simply not how good DSM programs are, are designed. They have a multitude of, of options. Utilities around the country are meeting much higher goals without these, quote, unquote, technical potential programs. So I would say in Progress's, in regard to their program, the consumers are not getting the most bang for their buck. In fact, I would say the programs they've submitted are a train wreck for consumers.

With the other utilities, it's a little harder to say. It could be that they're relying on programs that have higher, higher costs per kilowatt hour saved and over relying on those programs and perhaps not relying enough on programs that have lower costs per kilowatt hour saved. So, you know, I think that's some of the information that, that staff or the utilities need to bring to you to provide you the information on, on, on modifying programs.

I understand the process is, is very time constrained. We spent over a year setting the goals. We're spending 30 days on trying to figure out how to implement them. And I understand, I really do understand the time constraints. But I would, again, I would stick by our, our recommendation that, you know, staff has asked the utilities to come back in 30 days for, to adjust their annual goals, what they think they can achieve annually. I would say within those 30 days they should also come back to you with information on how their programs stack up with programs with, from peer utilities. You know, these programs are being run or similar programs are being run successfully by utilities throughout the country at much lower costs.

I understand this is not an evidentiary hearing. SACE just simply, you know, looked at the costs, compared them to what other utility costs are for similar programs. And we found that the costs in Florida are two to four times higher for each kilowatt hour saved in Florida than it is in other states.

I can't sit here today and tell you what that reason is. I think for Progress it's easy to point out. For the others it's a little less difficult. There's a lot of nuance.

And, you know, I guess I'll just give you an example. I think I heard Progress and maybe another utility cite to the, to the Itron study as the high cost scenario. You know, we had to use these high cost scenarios. Well, the Itron study was a, it was a technical potential study. It was not a program design study. And I bet you Itron never intended it to be used as a technical resource to design programs.

So I think, you know, we've got a long way to go in, in, in how we develop programs in Florida, and in a way it shows a lack of commitment to really bearing down and bringing the most cost-effective programs to these customers.

Because, I mean, we all want energy efficiency. I mean, low income folks depend on it, fixed income folks depend on it. But if we don't deliver it to them in a cost-effective fashion, then it's going to erode public support and it's going to have, you know, our ratepayers paying more than they should for, for the service.

COMMISSIONER EDGAR: Thank you. And your last comments I could not agree more; hence, some of my concerns.

You know, Mr. Trapp, you said the time for rebuttal is over. I'm not sure that I agree with that. I absolutely also recognize the time immediacy, we want to do something, we want to do more than something, we want to do something that makes a positive difference and sooner rather than later. Obviously there are requirements that the statute imposes upon us and upon everyone who is participating in these discussions, and we certainly want to meet both the letter and the intent. But yet I'm also very, very concerned about rate impact, and I am concerned about making decisions today and as a part of this that we don't have complete information about what the impact will be in order to make some of those decisions, those qualitative decisions about what is the right thing and the best thing at this time.

I see that, you know, from the information that we have that the savings -- you know, the cost impact is in the short-term, the savings are in the long-term. That certainly is not a new issue that we have to grapple with here, but yet it is a reality of this issue. We're asking perhaps ratepayers to pay, you know, on their monthly bills now for programs that we're being told might not even meet the goals, may not be able to meet the goals. And, and the -- I'm having a hard time seeing the next steps and where it takes us. I think I know where, where I want us to go, where I think we all are trying to get to, but I'm not completely convinced that the road that we are starting down is going to end us up where it is we're trying to get.

I'm not sure, and I'm not making a suggestion because I'm still not sure what to suggest, but I am concerned. And I do think that part of our responsibility is to protect ratepayers from incurring charges that don't provide benefits or value, yet of course overall I agree and believe completely that there is more that we can do, need to do, should do for energy efficiency and conservation and that we have an obligation and a responsibility both ethically and morally and certainly also legally to try to make, make that easier for people to take advantage of.

So with that, I'm really interested in hearing the comments of each of the Commissioners. I'd also when we get to that point, maybe we'll pose to staff and the others for discussion here what, what options are available to us today? We have the staff recommendation. I met with staff a couple of different times to discuss it, but yet I'm also wondering what, if any, other options may be available to us today, realizing where we are on this item. Because even though, as Mr. Trapp pointed out, this is not a cost recovery decision today, it certainly puts us on the path of imposing additional monthly charges. Thank you.

CHAIRMAN ARGENZIANO: Commissioner Brisé.

COMMISSIONER BRISÉ: Thank you, Madam Chair. And I'm going to ask maybe one or two or maybe three questions, and I guess I'll ask some of the different Intervenors here and Progress and then staff at the end the same question.

The first question that I have, and since I was not part of the goal making process, is is the goal realistic and attainable for Florida at this time? And that is the, the basic question that I have. And as I'm looking at the staff recommendation and considering that we're not including the solar programs in it, is the goal truly realistic at this juncture?

And as a follow-up to that, and you can answer this at the same time, even if you are sent back, and this is to Progress, sent back in 30 days, would you come back with something that is completely different and puts you in a posture of achieving the goal? And, and maybe you can respond to that and then we'll go down the line with the first part of the question.

MR. BURNETT: Yes, sir. Thank you, Commissioner. Commissioner, to answer your question, realistic, we do not believe that our current goal would be realistic based on the cost-benefit analysis. We can certainly achieve anything if we put enough money into it. I could literally pay people not to use our product if we wanted to take it to that extreme. But not to be, to be cute about it, but realistically, no. We think that if we had the 50 percent reduction that would come about by removing the TPP program, we could present a portfolio either on an annual basis or a cumulative basis that made sense from a cost-benefit analysis, and we believe we would be positioned to meet our goals on an annual and cumulative basis. That, I think, is the simple answer to your question.

If we had to maintain the same goals but were sent back to say get rid of TPP, bring me something else, I would be left with the following choices. I could bring you back programs that I believed in, that I said these, these will probably work but they're not going to get you close to that number. I could adopt a policy where I say, hey, let me do some programs maybe like some other states do to where I call up a customer and say, hey, do you know if you change your air filter, it'll save you energy? And they go, great, thanks for that. And I count that as a savings. Is that -- should I do that with a straight face? No. But it's an option that I can do to get some numbers that Mr. Cavros is telling you that other people get. Also I could try to make comparisons to states that are just starting DSM and they don't have a history like we do. Those are unfair comparisons.

And just, Commissioner, one more point to that is one problem we have is that we've been doing this for about 30 years in Florida. We've set the standard in Florida for DSM and energy efficiency. I've got low income customers that we're knocking on their doors saying we would like to give you free air filters, free CFLs, free brushes, and 70 percent of the people open the door for me. If I'm going to punch through that, I'm going to have to say, and, by the way, I'm going to give you $15 to open the door. That's just an example, but this is what I'm dealing with.

So to your question, if you tell me do away with TPP but come back and get this same number, I'm going to have to come back and beg forgiveness to this Commission and say we can't get there. We can't get there without spending that kind of money because we're not a first-year DSM state like some of the, some of the quotations you'll see when you'll see the dollar kilowatt hour comparison. It's not fair. We've been doing this for three decades. I hope, I hope that was responsive, sir.

MR. GRIFFIN: Well, for Gulf, and briefly I agree with everything that Mr. Burnett just said. I mean, for us we're looking at goals that are, as I mentioned, in excess of 1,000 percent larger for energy than we've looked at previously. And can you accomplish that? Yes. It's just how much you have to spend to do it. Certainly inclusion of the solar savings toward the goals would help. It's not a tremendously large number, but that is something that we are requesting that the Commission do. But, yeah, it's just a matter of dollars really.

MS. KAUFMAN: Thank you, Commissioner.

I want to talk for a second from the consumers' perspective, because at the end of the day whatever you decide, the consumers are going to pay for it, not just FIPUG members but all the consumers. And I, I think I agree with Mr. Burnett that if you throw enough money at something, you can do it. But I think, as Commissioner Edgar said, you've got to balance the tremendous impact on customers with the achievement of, I think Commissioner Skop called them these stretch goals.

And now speaking for my clients only, I think that if you were to go forward with some of the increases that would flow from the Progress plan, it would be very, very dire. So I suggest to you that, that realism encompasses the impact on rates as well as the achievement of goals. And if you look at it that way, I don't think that, I think I said earlier, an 800 percent increase in the ECCR is something that any consumer, small, large or medium, should be asked to bear.

MR. CAVROS: Commissioner Brisé, thank you for your question. Let me try to sort of expand the universe a little bit. The historical energy savings, we're talking energy efficiency measures and energy savings, customer, customer use reduction, in Florida has historically been, at least from the, from the large, the large power companies, has been about two-tenths of 1 percent a year. You know, that's, that's, that's, that's historical. Certainly over the last couple of years and since I've been working on it those are the savings that they've been achieving.

Again, there are, there are states that right now or utilities right now that are achieving up to 2 percent. That's ten times more energy savings per year. And they're not only located in California, they're located in other states as well. So the savings are possible. But you need, you need a can-do attitude. You can't come in here and, you can't come in with the, with the idea that, you know, I'm going to throw more money at this because sometimes throwing money isn't the only solution. There's a lot of barriers to efficiency. It's not only dollars that you throw at it. You know, it's marketing, it's how do you reach out to these people?

You know, I mentioned that the, the pilot program that Gulf is starting now, it's the energy comparison reports that they send to families, in the Sacramento Municipal Utility District in one year they achieved a 2.2 percent savings. Okay. That's a 2.2 percent savings. That's in one year they achieved what historically Florida's biggest power companies, it took them ten years to achieve. A very low cost program.

So what we're talking about here is really a difference in mind-set, and you don't have that right now. You have -- you're hearing reasons, a lot of reasons about why we can't do it, why it's impossible. So I would say to you that it is imminently possible with the right mind-set. It doesn't have to involve throwing a lot of dollars at utility programs. That is not the only solution.

And I also want to talk from the consumers' standpoint because in the previous docket which you were not part of, these programs, these efficiency measures were, were measured against the, the next unit or the incremental cost of the next unit. That was the benefit of these measures. Were they cheaper than the next incremental power plant that we would have to build? And in every respect if they passed the TRC test, which they did, they're cheaper to consumers than building a new power plant. So from that perspective these measures are cost-effective big picture.

Now the smaller -- you know, when you drill down a little bit, now you have to ask yourself are all, are these programs that they've designed to meet the goals designed in a way that's cost-effective? You know, it's like deciding to go from a Hummer to a hybrid. But, you know, they're not going around and shopping around for the best deal. You know, they're just, they're just giving you these numbers.

So -- and lastly I would also say that I don't know that you necessarily want to eliminate the technical potential program in that that program offers measures that are really important to folks, CFL lighting, water heater blankets, you know, stuff that's really targeted at lower income customers. The notion that you have to reach a technical potential, again, that's foreign to most policy design experts. I think, you know, that program doesn't necessarily have to be eliminated, but it can be made more cost-effective by maybe designing it in a way where it, where you go after the achievable potential. You know, that's a realistic construct. And then perhaps looking at some other programs to make up the difference. But to answer your question, I'm sorry that was a little long-winded, it's imminently possible.

MS. BROWNLESS: Again, our focus for the Florida Solar Industry, Energy Industry Association is very narrow. We've always focused on solar products. As I've listened to the utilities, I don't hear any of them taking much issue with the solar industry in the sense that they, there are no megawatt goals associated with us. We took -- we set aside a discrete amount of money in order to develop the industry and make it available. So we're really not in the same analysis, if you, if you will.

What we're suggesting is that, for the solar industry and for the development of the solar industry to have a meaningful impact on avoided capacity, because that's the name of the game. I mean, the whole purpose of any conservation program or energy efficiency program is to avoid building the next unit.

And I'm sure everybody in this room thinks that if one could have avoided even one of the nuclear power plants being built now, there would be tremendous cost savings associated with that or even some portion of those multibillion dollar investments. So for us I guess the short answer is we, we really have no position on the energy efficiency goals. But with regard to our solar piece, as I've stated before, that is cost-effective, that will do the job, that will lay the groundwork for being able to develop viable alternatives to constructing another, you know, eight or $9 billion nuclear power plant.

MR. BRYANT: From Tampa Electric's perspective, we believe the goals have been set aggressively. We believe we have a plan that demonstrates in certain years we can accomplish those goals, but then there are a few years where we fall short, but that's the cumulative argument.

We would also suggest that the solar being included would certainly help us. We think we can get there is where we're at. We find ourselves in a different position; that doesn't make us better, it doesn't make us special, it's just the reality of the evaluation process. But we think we can get there and would like to have the opportunity to move forth with our plan as we have provided it, recognizing that, not to beat a dead horse, but we think renewables should count, as history says that they have in the past, and the fact that it's a cumulative situation based on the example I gave: Well, what do you do with the utility at the end of the fifth year? Did they make it or not? Thank you.

MS. LEWIS: Commissioner Brisé, to answer your question about how does staff view whether or not the goals are realistic and attainable, in staff's recommendation we simply looked at the goals that were set in the goal setting proceeding. So we -- those were based on a record, so of course in that sense they're realistic. They exist in the Commission order. Whether they're attainable, obviously we're dealing with projections all the way around, so we won't know that until the company actually implements them, which is something we're anxious to get to, implementation. Oh, and I would like -- Mr. Ellis would like to add something here, I think.

MR. ELLIS: Sorry to go a little off topic. Phillip Ellis with Commission staff.

We just wanted to raise a point that we've heard a couple of times today, which is the cost-effectiveness of the measures referring to a cost per kilowatt hour. And staff just has some difficulties with that method of analysis because it excludes any benefits of capacity or avoided capacity, delay or deferral of units.

And an example of that would be, say, a load management program which has very high demand reduction, so it is reducing system peak demand but has very little or no energy savings. So under that method of analysis of a program those programs would look to be horribly cost ineffective under that method. But they do have benefits under our current cost-effectiveness test and analysis of the avoided capacity and deferral of capacity. Sorry to go a little off topic.

MR. TRAPP: Let me just, let me pipe in, if I may.

I agree with Ms. Lewis that the goals were aggressively set, but they were based on a record that showed that they could be achieved. There was -- there's concern though of rate impact. And I have to observe that while the methodology was supported by the record in this case, I think the, there was a component that was associated with a ten, you know, highest free rider basis. And my personal opinion is Progress got hit pretty hard with that because the programs they showed in that area had very large energy savings, all ten programs. And if you look at the, just the numbers, the component associated with those two-year payback programs for Progress was like 1,903 gigawatt hours. Contrast that to Florida Power & Light at 905, TECO at 50 and Gulf at 322. There seems to have been a disproportionate impact incorporated into Progress's goals in that area.

So I think that there -- it is deserving of additional attention to Progress and the relationship between those particular programs relative to cost, and you may want to do some fine-tuning there. But, again, we would expect Progress to provide us this kind of analysis so we can make sound recommendations in advance rather than at agenda. And thus I think we need to have 30 days with them to work on it some more.

COMMISSIONER BRISÉ: Thank you, Madam Chair. And this is not a question, it's more of a comment. I too believe, like the gentleman from SACE, Mr. Cavros, that I think attitude towards the whole idea of moving towards greater efficiencies is the proper attitude to have, and I too am concerned about the impact to ratepayers.

Without changing the rule, I would really be interested in seeing that, as we move forward, if, if the companies and staff can sort of talk a little bit about how we can get to that point where we are making the type of progress necessary to, to keep rates reasonable as we achieve these goals. And, and if that includes looking at solar or some of these other things, then, then maybe we need to, to look at those, keeping it as close as possible to the rule without changing it. And, and not to put the cart before the horse, but, if necessary, that may be something that we may have to revisit in the future.

CHAIRMAN ARGENZIANO: A question I have to staff, and let me see if I can get it the right way. Does staff believe, particularly in Progress's case, that they've used the most cost-efficient programs?

MR. TRAPP: Well, again, I think staff has a number of questions about some of the incentive levels and, and, and participation rate levels that Progress has assumed in some of the programs and, you know, whether or not that's necessary to get where they need to go. But I'll let Kathy address it.

MS. LEWIS: That's true what Mr. Trapp said. However, overall the programs are cost-effective in that they pass the E-TRC test. And so as I believe the gentleman from SACE referenced on a broad perspective, yes, they are cost-effective.

CHAIRMAN ARGENZIANO: Well, in hearing that, I think it was, I think it was earlier, it may have been Mr. Cavros that talked about modification, and the, I guess particular to the cost-effectiveness of the programs. Was that correct?

MR. CAVROS: That's, that's correct. The way the recommendation, I was speaking to the way the recommendations were presented to you, you could either reject the program or approve a program. But it didn't give you the option to tinker with the programs, to modify them to make them more cost-effective.

CHAIRMAN ARGENZIANO: Do we have the statutory authority to modify?

MS. FLEMING: Yes, Commissioners. Pursuant to 366.82(7), which I believe several of the attorneys here have referenced as well, "The Commission may require modifications or additions to a utility's plan and programs at any time it is in the public interest consistent with this Act. And in approving those plans and programs, the Commission shall have the flexibility to modify or deny plans or programs that would have an undue impact on the costs passed on to customers."

CHAIRMAN ARGENZIANO: And keeping in mind also that the statute also declares that "It is critical to utilize the most efficient and cost-effective demand-side renewable energy systems and conservation systems in order to protect the health, prosperity and general welfare of the state and its citizens." So all of that has to be -- sometimes it's an impossible task, isn't it?

So it's -- okay. I had another question but I lost it. It'll come back to me. Commissioners? Staff?

MR. TRAPP: I'm sorry.

CHAIRMAN ARGENZIANO: I'm sorry. Were you -- I thought you were going to address us with something else. I guess not. Okay.

MR. TRAPP: Move staff?

CHAIRMAN ARGENZIANO: Move staff? (Laughter.) See, that's what I thought you were going to say.

Commissioner Skop.

COMMISSIONER SKOP: Thank you, Madam Chair. And I appreciate the discussion from the bench and to the parties and the responses that were given. It seems where we're at with this, staff's requested some additional time to address its concerns and get additional information from the parties, and I think that's consistent with the tenor of the staff recommendation on this item. So, like I say, I don't know what the will of the Commission will be, but, you know, we do have the recommendation before us on Issues 1 through 5.

MS. FLEMING: And, Commissioners, if I may, I know that Commissioner Edgar posed a question earlier about what our options are at this time. And if we could have a short break so that we can confer amongst staff what the different options are because there may be different variables within this recommendation.

COMMISSIONER EDGAR: Very good suggestion. Let's take a ten-minute break.

MS. FLEMING: Thank you.

CHAIRMAN ARGENZIANO: Is that enough time?

MS. FLEMING: Ten minutes? Yes, thank you.

CHAIRMAN ARGENZIANO: Okay. Thank you.

(Recess taken.)

CHAIRMAN ARGENZIANO: Staff.

MS. FLEMING: Hi, Commissioners. Katherine Fleming for legal staff.

We met during the break to discuss the possible options, and the first option of which you all are well aware is the Commission could approve staff's recommendation as filed. The other option is kind of a hodgepodge, and it's based on issue by issue. So if we could go through it.

Just generally speaking with respect to Issue 1 for all the utilities as far as approving the plans, staff's recommendation is that the plans do not meet -- staff would recommend that the Commission still find that the utilities' plans do not meet the Commission's order of annual numeric goals, however, with a modification that the Commission include solar.

Based on the comments that we have heard today, the solar savings, the solar programs were mandated by the Commission. The Commission does have the discretion to include solar savings under 366.82(2), where the Commission shall adopt appropriate goals for increasing the efficiency of energy consumption and increasing the development of demand-side renewable energy systems. So I think that portion of the statute does give the Commission the discretion to include savings from solar within the -- into the savings for the DSM plans. So that would be our suggestion for Issue 1.

With respect to Issue 2, where staff is recommending approval of the cost-effective programs, staff would suggest, based on the information we have heard today, that one option could be for the Commission to deny staff on this recommendation and not approve any programs at this juncture. That's something that we could take a wait-and-see approach. Since the utilities would be required to refile their plans in 30 days, then staff, once again, can revisit the programs, the cost-effectiveness programs, and also do some further investigation into the programs.

CHAIRMAN ARGENZIANO: And, Ms. Fleming, if we do that, if the Commission decides to do that, could you then bring us back comparisons of comparable programs in other areas so that we're not guessing as to --

MR. TRAPP: Yes, ma'am.

CHAIRMAN ARGENZIANO: Okay, great.

MS. FLEMING: And one of the things we would also ask as part of Issue 1 and 2 that the utilities and staff that were able to meet with the utilities to further understand their plans and their assumptions that they are using in their plans, because I think that is really important with respect to this recommendation.

With that being said, we would also recommend approval of Issue 3, which is the solar programs. And if the Commission does deny staff on the implementation of programs from Issue 2, then Issue 4 is moot. And Issue 5 is the close-the-docket issue, which we would recommend approval of that issue.

MR. TRAPP: The only thing I'd like to add to that, I think staff would like direction, too, to specifically work with Progress Energy on this issue of the two-year payback programs and the effect they are having on their goals and their rates. Particularly in light of your comments about doing the peer type review, it really puts some focus in that because, again, staff notes that there appears to be a disproportionate effect for Progress in that area, and we would really like direction to focus on that, if we could.

CHAIRMAN ARGENZIANO: Good idea.

Okay. Commissioners? Question, Commissioner Skop?

COMMISSIONER SKOP: Thank you, Madam Chair.

Just recapping. Ms. Fleming, on Issue 1 there is something I caught that you said at the end about the fact that the Commission has discretion to include the solar goals, and that would be a proposed modification to Issue 1.

MS. FLEMING: That's correct. With respect to Issue 1, staff has recommended or suggested that the Commission could approve staff's recommendation with the modification, and I think it's the last statement, that the compliance filing should not include savings associated with past pilot programs, solar pilot programs. I think the modification would be to include the savings associated with the solar pilot programs.

COMMISSIONER SKOP: Okay. Where is that specific provision in Issue 1, I'm sorry?

MS. FLEMING: Page 4 in the staff recommendation, the last sentence.

COMMISSIONER SKOP: Okay. All right. I see that. And does the Commission need to make that determination at that time, or is that something better left for staff to discuss and make a recommendation on at a future point in time?

MS. FLEMING: As far as the inclusion of solar savings?

COMMISSIONER SKOP: Right.

MS. FLEMING: I think staff today is recommending, based on the arguments that we have heard today and looking at the statute more closely, that it is appropriate to include the solar savings.

COMMISSIONER SKOP: Okay. All right. And then for Issue 2, basically, if I heard you correctly, you indicated that you could deny staff recommendation on Issue 2 and defer that for a future recommendation?

MS. FLEMING: That is correct, Commissioner. By denying staff on Issue 2, therefore, we would take care of the issue that we have been hearing today about the rate impact. So none of the programs would be implemented today. And since Issue 1 is requiring the utilities to refile their DSM plans in 30 days, we are able to look to see if any new programs will be added or if there will be any further modifications of their current program.

COMMISSIONER SKOP: So that will still buy staff the additional time that staff sought with the 30 day to get a better understanding of the aspects of the plan?

MS. FLEMING: Yes. And just to be clear, to require the utilities to file their new plans within 30 days of the date of the order.

COMMISSIONER SKOP: Okay. All right. And then Issue 3, Staff was fine with the Commission approval of, and then I think that took us to Issue 4, moot.

MS. FLEMING: With respect to Issue 3, I know that we did hear comments from the solar industry as far as placing caps on advertising and marketing costs, or what is the appropriate percentage for solar on private/public facilities, schools, and we would like direction from the Commissioners whether this is something that we need to look further with respect through a workshop.

COMMISSIONER SKOP: Madam Chair.

CHAIRMAN ARGENZIANO: Commissioner Skop.

COMMISSIONER SKOP: To that point, again, I think that each of the respective investor-owned utilities have approached things differently, some differently than some of the intervening parties may like, but, again, what I'm concerned with is the micromanagement aspect of that. If the companies have established relationships with educational facilities in their respective service territories or other programs that they know how to implement, I'm not so sure that engaging in protracted rulemaking or a workshop would do nothing more than slow up the entire show. And, you know, some of the companies are well poised to move forward with these solar programs. I think we have heard from both TECO and Progress that they are ready to go with solar, and that's consistent with some of the comments we have heard from the solar intervenors today, too, that that would be good for the state.

CHAIRMAN ARGENZIANO: Staff, your question was you'd like to hear from the Commission whether there is interest in looking into possibly changing the percentage of how the solar -- could you restate?

MS. FLEMING: Well, staff's recommendation is to go and put forth these programs, the solar programs, go ahead and have those implemented. But we do note that there isn't uniformity among the utilities, and our question, our guidance from the Commission is if it desires uniformity as far as the utilities, then that is something that is appropriate for the workshop, and we are just looking for guidance from the Commission if that is something that they want -- you all would like staff to investigate or look into further.

CHAIRMAN ARGENZIANO: I would like that to be looked into a little bit more. I would like some other information regarding that, since the statutes indicate that there is -- in several areas that solar is preferential, or maybe not preferential -- looked at to give a heavier weight, I believe that is what it said in the statute, maybe not to this particular issue, but it is definitely a policy that is in the statute. So I'd like that to be looked at, at least, so that you could at least present us with some different ideas. Thank you.

MS. FLEMING: And I'm getting nods, so I believe that's something -- because staff would like to continue the dialogue with respect to these programs, but we do feel that these programs are important to go ahead and implement today.

CHAIRMAN ARGENZIANO: Absolutely.

Commissioner Skop.

COMMISSIONER SKOP: Madam Chair, so with respect to what staff has stated in relation to a workshop is that the staff recommendation at this point would be to move forward with approving Issue 3 pursuant to the staff recommendation with the understanding there would be a workshop held to discuss how best to allocate solar between residential and such.

MR. TRAPP: That is correct. We would approve what they have filed but, again, continue the dialogue, the workshop process to try to reach a better understanding on where money should be spent.

CHAIRMAN ARGENZIANO: Commissioner Edgar.

COMMISSIONER EDGAR: I'd just like to see if

Ms. Brownless has anything to say on that point.

MS. BROWNLESS: I just want to make sure I understand what the proposal is. The proposal is to go ahead with Issue 3 for each IOU as proposed, the programs they proposed, and that those programs would then become effective on the date of the consummating order, absent a no protest, is that correct?

COMMISSIONER EDGAR: That is my understanding. Staff?

MS. FLEMING: Yes, that is correct.

MS. BROWNLESS: And that these workshops would be a separate going forward type thing.

MS. FLEMING: Yes, that is correct.

MS. BROWNLESS: Thank you, ma'am.

MR. TRAPP: And just to clarify, I think the effect of that is these are annual expenditures, so basically they are going to make these annual expenditures until there is concurrence, agreement, or an ordering to change the shift of dollars expended.

MS. BROWNLESS: And, Mr. Trapp, so in addition to a workshop, another place to bring up this issue of allocation would be in the ECCR cost-recovery docket, correct?

MR. TRAPP: That's always available, always an option available.

MS. BROWNLESS: Thank you.

CHAIRMAN ARGENZIANO: Commissioner Edgar, anything further?

COMMISSIONER EDGAR: At whatever is the appropriate time, I'd like to speak to the options that the staff have given us.

CHAIRMAN ARGENZIANO: Sure.

COMMISSIONER EDGAR: I didn't know if Commissioner Skop is done.

CHAIRMAN ARGENZIANO: I think -- you're recognized.

COMMISSIONER EDGAR: Thank you. I wanted to say, and I appreciate the staff taking a few minutes to help us kind of think through, or to help me think through, anyway, what we have heard and how might be a beneficial way to proceed at this point. We did get a lot of information and a lot of suggestions and comments.

I do want just for myself be clear, again, that I believe strongly in the value of energy efficiency programs and in our responsibility to help to promote conservation and to make the tools available to both the residential customers and retail customers to try to take advantage of efforts for a statewide benefit and for an individual benefit. But I also am well aware that decisions that we make in this vein and on these programs will set in motion a lot of different pieces that will have cost impacts and a variety of other impacts.

And so I don't want to slow things down, however, I do think that it is important that we take maybe a little more time and get it right, because as we move forward many things will flow from that that will have both potential benefits, probably some unknown impacts and unforeseen impacts because that is just the nature of it all, and costs, also, that will flow.

So with that I, at the appropriate time, and if Commissioners are comfortable with it, would be in favor of the way the staff has laid out their recommendation here in the last few minutes.

MR. BURNETT: Madam Chair.

CHAIRMAN ARGENZIANO: Yes, Mr. Burnett.

MR. BURNETT: May I on one specific issue with regard to Mr. Trapp?

CHAIRMAN ARGENZIANO: Yes, please.

MR. BURNETT: I certainly appreciate what Mr. Trapp said. I think we all have agreed today, I have heard no one dispute at least the fact that our goals are dramatically higher than the others. I think the guidance you give, that the Commission gives will dictate two very potentially different conversations that we have over the next thirty days.

I believe the Commission rules today that our energy goals will be reduced by 50 percent, you make that ruling, the conversation we are going to have over the next 30 days is, okay, based on the new goal now that we are in parity with the other utilities, how do we get there in the most cost-effective manner. And we are going to bring you back a plan that we believe we can meet that works and that is going to have a price impact that's way down in line with the other utilities.

If your guidance is keep that number and go talk for the 30 days, I think the conversation we are going to have is we are going to be defending, simply just depending what we have put forward now, explaining some things that may have gotten crossed in the wires. In 30 days we're not going to bring you back anything different. I think you will be in the same situation you are now. I can tell you we are not going to come up with a revelation, even with the best of attitudes, so I just think one scenario requires you to vote on that today.

CHAIRMAN ARGENZIANO: Commissioner Skop and then Mr. Trapp.

COMMISSIONER SKOP: Thank you, Madam Chair.

To staff, based on Mr. Burnett's comments, you know, obviously if we were to move forward with denying the staff recommendation on Issue 2 as staff has suggested and require the utility to file additional information within 30 days of the date of the order, would it not be beneficial and constructive for having that analysis to maybe ask the utility to consider both scenarios without us rendering a determination at this time as to, you know, ad hoc as to what the right goal number is. It seems that way, if you could discuss both, and, you know, make the best recommendation at the appropriate time when it comes back to the Commission.

MR. TRAPP: I agree with you, Commissioner Skop. I don't think staff is recommending at this point in time that the goals be changed. We are asking for additional information with focus and paying attention to the potential maybe forgiveness of an area of goals that may create an undue rate impact to Progress, but all staff is recommending at this point in time is that we are open to be persuaded, not that we are changing any goals or anything.

CHAIRMAN ARGENZIANO: Mr. Burnett.

MR. BURNETT: Yes, ma'am. I mean, certainly we defer to the will of the Commission, and if the staff wants more time, but I just think ultimately, I mean, the numbers are what they are, and ultimately this body will have to make that decision, it's just whether you make it now or whether you make it after the fact. I don't think anything I can tell staff is going to change the fact that the numbers are what they are, but certainly if you wanted more time to address that, we are happy to comply.

CHAIRMAN ARGENZIANO: Commissioner Skop.

COMMISSIONER SKOP: Thank you, Madam Chair.

And to Mr. Burnett's point, I think that doing that option gives Progress a point of entry to engage in that discussion with staff for which you would otherwise be precluded if we were held in a holding pattern on the same goal. So it's kind of like a parallel path to reason out what the right result would be within the same elapsed time period. So --

MR. BURNETT: Thank you.

CHAIRMAN ARGENZIANO: Anybody else?

MR. CAVROS: Madam Chair, I would just like to make the Research Director of Southern Alliance for Clean Energy available to staff, if they feel that would be useful during those negotiations.

MS. FLEMING: And I would just note that any discussions or meetings that staff does want to set up will be noticed in the docket file so that any parties that are following this docket can participate, as well.

CHAIRMAN ARGENZIANO: I encourage that.

Commissioner Skop.

COMMISSIONER SKOP: Madam Chair, may I be recognized for a motion?

CHAIRMAN ARGENZIANO: Well, let's make sure the discussion is over. Anybody, any other parties?

Commissioners?

Okay, you're recognized for a motion.

COMMISSIONER SKOP: Thank you, Madam Chair.

CHAIRMAN ARGENZIANO: Mr. Beasley.

MR. BEASLEY: Just a point of clarification, Madam Chair. The staff has indicated to you they think now that we should count the solar towards the achievement of the goals, and with that, and if you agree with our position that you monitor our progress and look at it annually, but look at it on a cumulative basis over time, then I think we're in a position where we can commit to you we can meet our goals with the programs that we have put before you, so we would urge you to consider doing that for Tampa Electric.

CHAIRMAN ARGENZIANO: Staff, any comments to that?

MS. FLEMING: I think at this juncture, staff is not comfortable making a determination whether it's cumulative versus annual goals. The order does state that it was annual, that the Commission set forth annual numeric goals, and our recommendation is based on what we have before us. That's something that we will look further within the 30 days of the utility's filing whether there are additional options beyond the annual numeric goals that are set forth in the order.

CHAIRMAN ARGENZIANO: And I would like to, for the record, say that, you know, I think that for me anyway, as long as they are getting there, that's what we want. And if it means they're a little short one year, but make it up the next year, I mean, that's just logical, as long as they are moving in that direction, so maybe we can look at that. It would be important to me to look at that anyway.

Commissioner Brisé and then Commissioner Skop.

COMMISSIONER BRISÉ: Thank you, Madam Chair.

And just along the line that you're thinking, there is a potential option, and I don't know if we would have to do it through rule or whatever, but look at annual incentives. I mean, look at incentivizing companies that reach their annual goals, and, of course, actually having a penalty for not meeting your cumulative goal. So I think there is a way to look at some of those issues and provide sufficient incentive so that the IOU will go out and do everything it possibly can to meet the annual goal. However, in the long-term, if they don't, then there will be a penalty waiting.

CHAIRMAN ARGENZIANO: And I agree, because you don't want to create, then, an area that says, well, we're not going to be moving in that direction. So while I understand, and I think, Commissioner Brisé, what you're saying is while we give them that flexibility within a certain time frame you still have to meet those goals that indicate you are really moving in the right direction. I agree with that.

MR. BEASLEY: I think the whole process is geared towards that, because there is like a 15 percent margin in each year, and it all connotes getting there. You might do it more in one year and maybe a little less in the next, but our goal is to get there by the end of the examination.

CHAIRMAN ARGENZIANO: Commissioner Skop.

COMMISSIONER SKOP: Thank you, Madam Chair.

At this point I'd like to make a motion with respect to the disposition of Item 7 before us, and the motion would be to approve the staff recommendation on Issue 1 with the modification that the compliance filing should include the savings associated with PEF's solar pilot programs; and for Issue 2, the staff recommendation -- it would be to deny the staff recommendation with the understanding that Progress will file plans for compliance with the current goals as well as compliance plans for its reduced goals as articulated in the handout within 30 days of the Commission's order.

As for Issue 4, Issue 4 would be, excuse me --

CHAIRMAN ARGENZIANO: Three.

COMMISSIONER SKOP: I'm sorry, Issue 3 would be to approve the staff recommendation for Issue 3 with the understanding that a workshop will be conducted to address how the solar dollars should be most appropriately spent.

Issue 4 would be moot. And Issue 5 would be to approve the staff recommendation that the docket remain open.

COMMISSIONER GRAHAM: Second.

CHAIRMAN ARGENZIANO: We have a second. All those in favor say aye.

(Simultaneous conversation.)

COMMISSIONER EDGAR: Any comments or discussion?

CHAIRMAN ARGENZIANO: I'm sorry. I was trying to move quickly. I forgot. Yes, absolutely. Glad you spoke up.

COMMISSIONER EDGAR: Thank you. I appreciate that. I would just like to -- and I am supportive of the motion, but would like to add the direction that our staff work with Progress on the issue of the two-year payback, and also work particularly on some of the underlying assumptions that are built into the material that is before us.

CHAIRMAN ARGENZIANO: Anything else?

Okay. All right. We have a second on the motion. All those in favor aye.

(Vote taken.)

CHAIRMAN ARGENZIANO: Opposed, same sign.

Show that adopted. Thank you very much.

MS. FLEMING: Commissioners, with respect to Item 8, which is the Gulf docket, we have not voted on that, but I do want to make sure that staff makes its oral modification on that item.

CHAIRMAN ARGENZIANO: Yes.

MR. GRAVES: Good morning, Commissioners. Robert Graves with Commission Staff.

The requested modification that we're asking for has been sent to the Commissioners in legislative format, and those modifications can be read at this time, if you desire.

And after filing our recommendation, the company pointed out an oversight on staff's part, and this modification is correcting that oversight. And the modifications are to Tables 1 and 3 on Pages 4 and 6 respectively. And the last value in the column titled Gulf projected savings under the heading summer, it currently reads 147.1, and that value should read 138.8. Is that clear?

Okay. And then moving to the last value in the column titled Gulf projected savings, under the heading of winter, that currently reads 151.5, and that value should be 143.2. And then the last value in the column titled Gulf projected savings, under the heading annual energy it currently reads 512.3, and that value should be 478. And if it makes it any quicker, the next ones are going to be in the same cells, only for Table 4, or, excuse me, for Table 3.

And in that one, the first column, it should read 137.8 as opposed to 146.1. And moving from left to right, it currently reads 150.9, that should be 142.6. And the last column which reads 509.8 should read 475.5.

CHAIRMAN ARGENZIANO: Commissioner Skop.

COMMISSIONER SKOP: Thank you, Madam Chair.

Just a question to Ms. Fleming. With respect to the proposed staff recommendation as it pertains to Issue 2, would staff also be recommending at this point to deny the staff recommendation on Issue 2, or how do we proceed in light that Progress had a separate and distinct issue from that of the other IOUs.

MS. FLEMING: Yes. The recommendation that staff provided with respect to Progress on an issue-by-issue basis would apply for both Gulf and TECO. However, we just wanted to make sure that the oral modification could be made for the Gulf recommendation.

COMMISSIONER SKOP: Okay. Very well. Madam Chair, if there are any questions, if not, I'll do --

CHAIRMAN ARGENZIANO: Questions? All right. Anybody? Okay. We're ready.

COMMISSIONER SKOP: Thank you, Madam Chair.

With respect to the disposition of Item 8 before the Commission, I would move to approve the staff recommendation on Issue 1 with the modification that the compliance filing should include the savings associated with Gulf's solar pilot programs.

Issue 2 would be to deny the staff recommendation on Issue 2, and I believe that would allow Gulf to work with staff within 30 days of the date of the order to address staff's concerns.

Issue 3, would be to approve the staff recommendation with the understanding -- with the modification that there would be the understanding that a workshop would be conducted to address how the solar dollars would be most appropriately spent.

Issue 4 would be moot, and Issue 5 would be to approve the staff recommendation that the docket remain open.

CHAIRMAN ARGENZIANO: I have a second. Any discussion, questions?

Hearing none, all those in favor say aye.

(Vote taken.)

CHAIRMAN ARGENZIANO: Opposed, same sign. It's adopted.

And to Issue 9, Item 9; TECO.

COMMISSIONER EDGAR: Madam Chair, if I may just ask if TECO has any last-minute thoughts or requests before we move to a motion on their item?

CHAIRMAN ARGENZIANO: Absolutely.

MR. BEASLEY: No, ma'am. Thank you.

COMMISSIONER EDGAR: Then I am comfortable moving forward on this item in the same direction that we have and would look to Commissioner Skop to tee it up for us.

CHAIRMAN ARGENZIANO: Okay. Any other questions, Commissioners?

Okay. Commissioner Skop, you're recognized.

COMMISSIONER SKOP: Thank you, Madam Chair.

With respect to the disposition of Item 9 before the Commission, I would move to approve the staff recommendation for Issue 1 with the understanding that the -- with the modification that the compliance filing should include the savings associated with TECO's solar pilot program.

With respect to Issue 2, to deny the staff recommendation with the understanding that TECO would work with staff within 30 days of the date of the order to address staff's concerns.

With respect to Issue 3, to approve the staff recommendation for Issue 3 with the understanding, the modification that there will be a workshop conducted to address how the solar dollars would be most appropriately spent.

Issue 4 would then become moot.

And Issue 5 would be to approve the staff recommendation that the docket remain open.

COMMISSIONER EDGAR: Second.

CHAIRMAN ARGENZIANO: We have a second.

COMMISSIONER EDGAR: And just a comment, if I may.

CHAIRMAN ARGENZIANO: You're recognized.

COMMISSIONER SKOP: I would just like to thank our staff and everyone, but I know a lot of time went into this from the beginning workshops through the last order and going forward, because we are asking for more work on this and for it to come back before us.

And, Commissioners, I appreciate your consideration of some of the concerns that I had.

CHAIRMAN ARGENZIANO: Thank you. Do we have a second?

COMMISSIONER EDGAR: Yes.

CHAIRMAN ARGENZIANO: We had a second.

Any discussion; questions? All those in favor aye.

(Vote taken.)

CHAIRMAN ARGENZIANO: Opposed, same sign.

I meant to say aye. I am in favor. That is adopted. Thank you very much.

* * * * *

STATE OF FLORIDA)
: CERTIFICATE OF REPORTERS
COUNTY OF LEON)

WE, JANE FAUROT, RPR, and LINDA BOLES, RPR, CRR, Official Commission Reporters, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that we stenographically reported the said proceedings; that the same has been transcribed under our direct supervision; and that this transcript constitutes a true transcription of our notes of said proceedings.

WE FURTHER CERTIFY that we are not a relative, employee, attorney or counsel of any of the parties, nor are we a relative or employee of any of the parties' attorneys or counsel connected with the action, nor are we financially interested in the action.

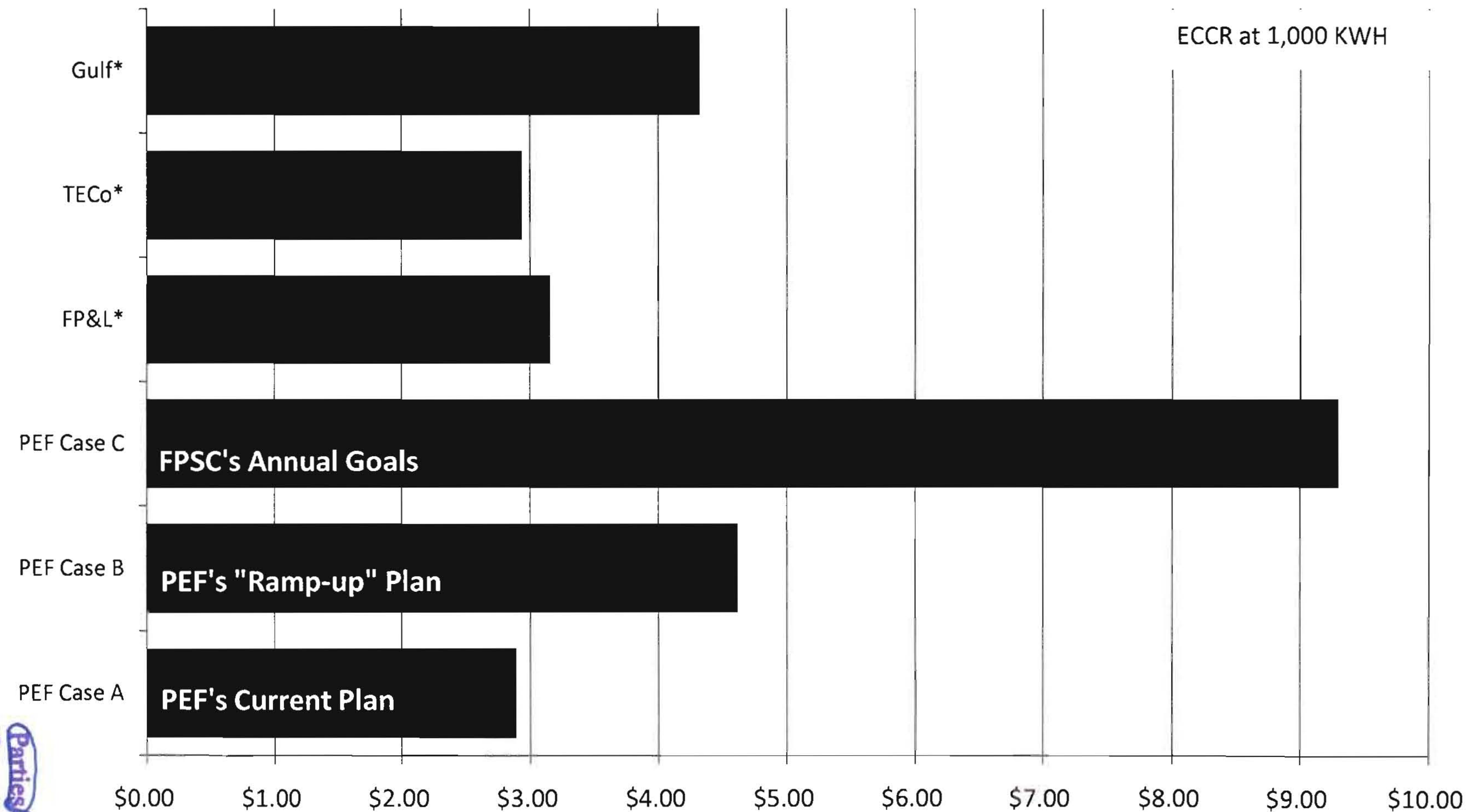
DATED THIS 17th day of September, 2009.

Jane Faurot Linda Boles

JANE FAUROT, RPR
FPSC Official Commission Reporter
(850) 413-6732

LINDA BOLES, CRR, RPR
FPSC Official Commission Reporter
(850) 413-6734

Comparison of Proposed 2011 ECCR for Residential Customers



Source: Proposed Demand-Side Management Plan's Filing March 30, 2010

100154-EG, 100159-EG, 100160-EG

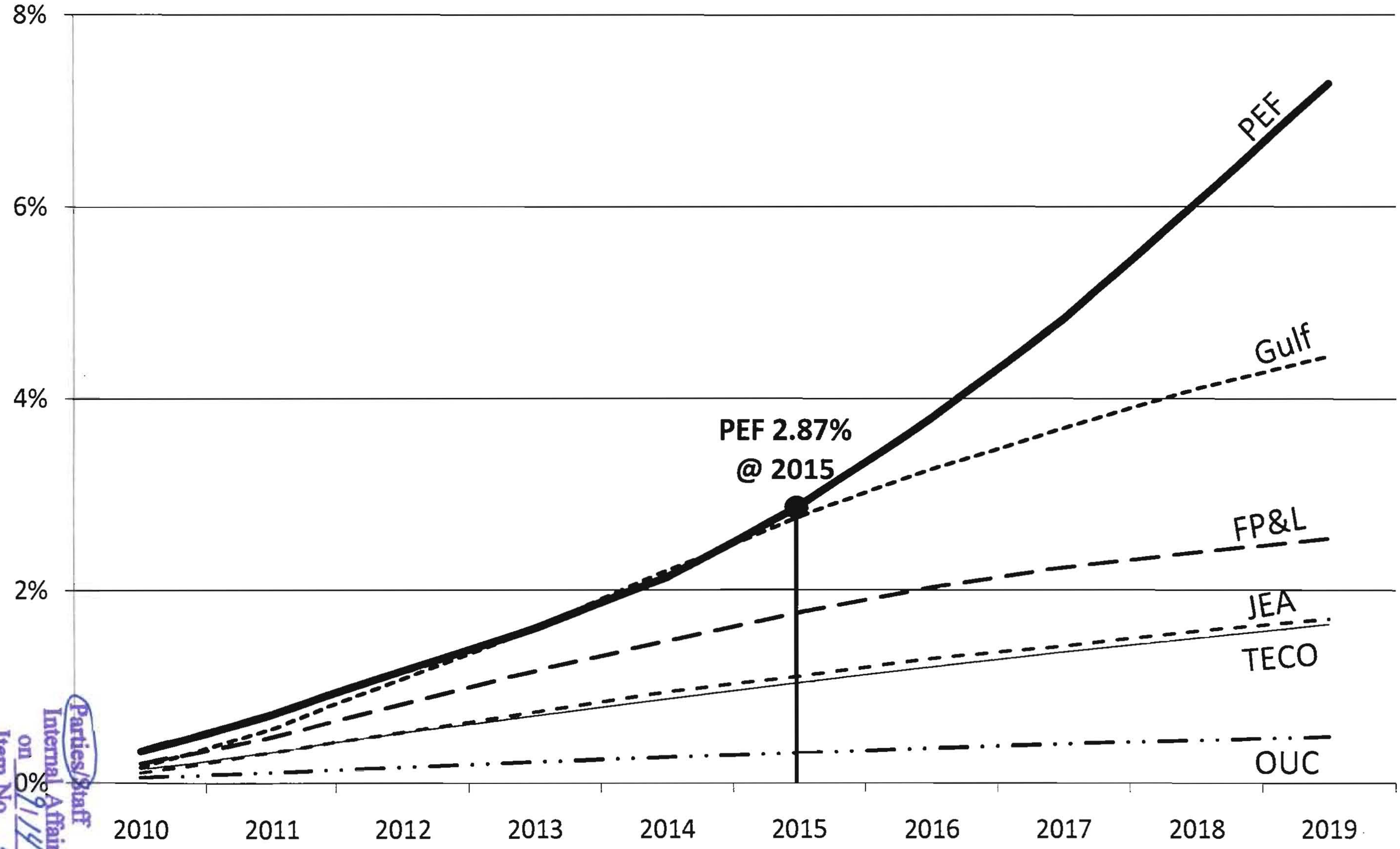
In the event the Commission wishes to reduce the short-term rate impact of PEF's DSM Plan, Table 13 below contains a listing of each program's relative contribution to PEF's ECCR factor as well as the estimated long-term net savings. All DSM programs have an initial rate impact; but the relationship between goal contribution, short-term rate impact, and long-term net benefits must be considered before any program is removed from a utility's DSM Plan. As discussed in Issue 2, all programs have a positive net benefit under the E-TRC Test, yet some have a negative net benefit under the E-RIM Test. Such programs indicate that non-participating customers would bear a disproportionate share of the program cost. Programs that have a positive net benefit under both the E-TRC and E-RIM Test may have substantial initial rate impact, but also substantial long-term savings. Again, inappropriate incentive levels for certain measures should be addressed before eliminating any programs. Staff would note that if a program is removed to reduce the short-term rate impact, the Company's goals should be modified accordingly which could also impact long-term net benefits.

Table 13 - Program Contributions

Program Name	Type	% Total Goal			Net Benefits		ECCR	
		Sum	Win	Ann	E-TRC	E-RIM		
		(%)	(%)	(%)	($000)	($000)	(%)	
Energy Management	RES	9.92%	22.96%	0.00%	$7,312,911	$139,704	18.97%	
Technical Potential	RES	33.10%	15.99%	50.55%	$136,709	($969,298)	18.33%	~ 1620 GWH
Home Energy Improvement	RES	22.04%	37.54%	17.56%	$95,141	($210,613)	13.81%	
Interruptible Service	C/I	0.28%	0.32%	0.00%	$6,000	$4,872	10.23%	
Residential Education	RES	7.39%	4.99%	8.97%	$84,825	($107,844)	8.25%	
Business Energy Response	C/I	8.99%	4.39%	5.02%	$206,998	$21,865	6.43%	
Better Business	C/I	6.54%	2.32%	7.51%	$8,952	($69,369)	4.95%	
C/I New Construction	C/I	2.40%	0.89%	2.09%	$2,058	($20,075)	1.97%	
New Construction	RES	2.77%	3.55%	2.42%	$17,306	($29,266)	1.57%	
Neighborhood Energy Saver	RES	3.43%	2.79%	2.81%	$7,208	($47,897)	1.32%	
Commercial Education	C/I	1.17%	0.58%	0.81%	$3,060	($6,537)	1.12%	
Standby Generation	C/I	3.75%	4.02%	0.00%	$79,161	$68,926	0.97%	
Solar WH with Energy Management	RES	0.00%	0.00%	0.00%	$9,967	$5,390	0.55%	
Curtailable Service	C/I	0.18%	0.28%	0.00%	$4,450	$3,787	0.54%	
Low Income Weatherization	RES	0.47%	0.75%	0.37%	$2,228	($5,571)	0.42%	
Commercial Green Building	C/I	1.11%	0.73%	0.90%	$363	($9,515)	0.40%	
Commercial Solar Photovoltaic	C/I	0.00%	0.00%	0.00%	($5,500)	($3,690)	0.25%	
Residential Solar Photovoltaic	RES	0.00%	0.00%	0.00%	($6,889)	($4,292)	0.20%	
Business Energy Saver	C/I	0.21%	0.06%	0.11%	$430	($917)	0.18%	
Photovoltaics for Schools	C/I	0.00%	0.00%	0.00%	($2,724)	($6,232)	0.14%	
Solar WH for Low Income Res Customers	RES	0.00%	0.00%	0.00%	($194)	($546)	0.02%	
Business Energy Check (Audit)	C/I	0.00%	0.00%	0.00%	$0	$0	2.15%	
Innovation Incentive	C/I	0.00%	0.00%	0.00%	$0	$0	0.13%	
Research and Demonstration	C/I	0.00%	0.00%	0.00%	$0	$0	0.00%	
Home Energy Check (Audit)	RES	0.00%	0.00%	0.00%	$0	$0	5.83%	
Technology Development	ALL	0.00%	0.00%	0.00%	$0	$0	0.99%	
Qualifying Facilities	ALL	0.00%	0.00%	0.00%	$0	$0	0.00%	
Sum of All Programs							**99.72%**	

100154-EG, 100159-EG, 100160-EG

Cumulative GWH as a Percent of Retail Sales



Parties/Staff Handout
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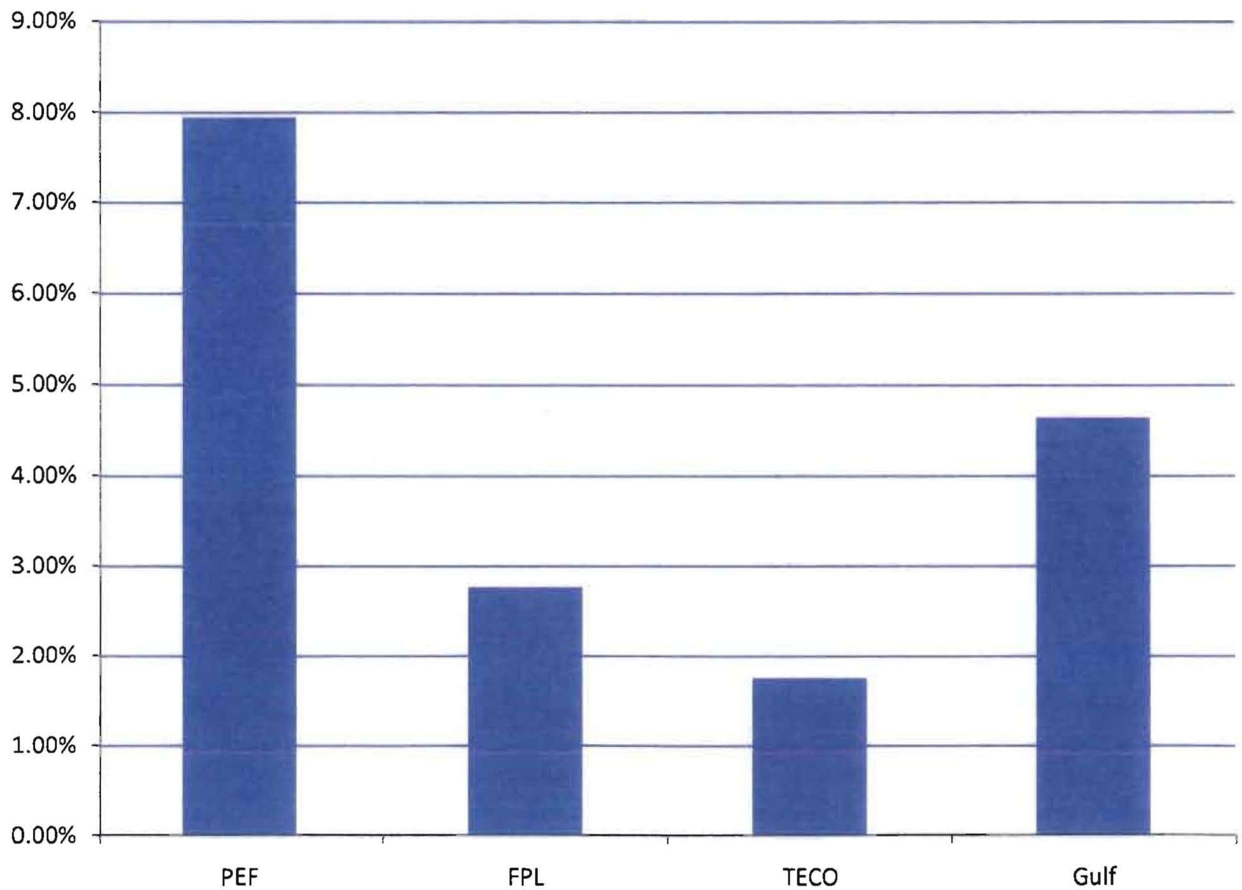
- We're on the high end of the implementation curve compared to the other utilities on a percent of sales basis
- In five years we exceed all-but-one utility's entire plan

DSM Energy Reduction Goals

as percentage of Average Retail Sales



Parties/Staff Handout
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FPSC Energy Reduction Goals for PEF are

- 2 times that of Gulfs
- 3 times greater than FP&Ls
- and 5 times those of TECOs

As a percentage of average retails sales, based on 2010 Ten Year Site Plans.

Additionally, DSM Goals represent

- 46 % of PEFs projected load growth
- 21% of Gulfs load growth
- 15 % of FP&Ls load growth
- 13% of TECOs

Again from 2010 Ten Year Site Plans