BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Commission review of numeric conservation goals (Florida Power & Light Company).	DOCKET NO. 130199-EI
In re: Commission review of numeric conservation goals (Duke Energy Florida, Inc.).	DOCKET NO. 130200-EI
In re: Commission review of numeric conservation goals (Tampa Electric Company).	DOCKET NO. 130201-EI
In re: Commission review of numeric conservation goals (Gulf Power Company).	DOCKET NO. 130202-EI
	FILED: September 30, 2014

THE FLORIDA INDUSTRIAL POWER USERS GROUP'S POST-HEARING STATEMENT OF ISSUES AND POSITIONS AND POST-HEARING BRIEF

The Florida Industrial Power Users Group (FIPUG), by and through its undersigned counsel, pursuant to Prehearing Order PSC-14-0356-PHO as modified at hearing, files this Post-Hearing Statement of Issues and Positions and Post-Hearing Brief in the above-styled matters.

BASIC POSITION AND SUMMARY

Conservation is an important aspect of every utility's portfolio and operations. However, the importance of pursing conservation programs must be balanced against their cost and the impact of that cost on ratepayers. The Commission must not overlook rate impact as it evaluates conservation goals and programs. FIPUG supports RIM-based goals since these goals result in the lowest cost rates for FIPUG members and other utility customers while appropriately advancing energy efficiency efforts.

Utilities should use a three year payback screen when conducting a free ridership screen rather than a two year payback screen. A three year payback screen is supporting by ample evidence, reduces free ridership (where someone gets an unneeded incentive because the customer was going to make use of an energy efficiency measure in any event), reduces rates paid for energy efficiency, and provides a rate of return more in line with reasonable market expectations and sound economic principles.

Additionally, cost effective load management programs, such as interruptible programs, play an important role in conservation and should be encouraged. Interruptible programs allow large customers to minimize demand when a utility needs resources to maintain service to its firm customers. Unlike energy efficiency measures, load management measures are an effective tools utilities can use in peak demand situations.

The Commission should also more strongly encourage cogeneration and remove barriers to its efficient use. Cogeneration produces no environmental emissions, consumes no fossil fuel and requires no additional water consumption. Such facilities also allow utilities to avoid consuming expensive fossil fuel and thus, also avoid the resultant emissions.

To encourage additional cogeneration and to more fully utilize existing cogeneration, the Commission should permit Multiple Load Management (MLM). MLM should be used to allow customers to more fully utilize existing cogenerated capacity/energy. MLM would allow a customer to centrally manage power and energy usage at multiple locations (owned and controlled by the customer) throughout the utility's service area. It would also allow the use of surplus capacity/energy from cogeneration to displace utility capacity/energy purchases at other locations (*i.e.*, self-service wheeling). The use of MLM would allow cogenerated power to be economically developed and fully utilized and would encourage more widespread and more

efficient use of cogeneration.

The Commission should conduct an investigation to consider MLM as described above and to audit or otherwise evaluate how the utilities calculate avoided costs in determining cost-effectiveness and in determining the real-time hourly payments for cogenerated energy. This would help to ensure that viable cogeneration projects are developed.

Finally, if the Commission decides to broaden energy efficiency measures, the utilities should specifically address industrial programs that will increase efficiency, such as the installation of premium efficiency motors. Such programs should be eligible for modest incentives. This would encourage the replacement of less efficient equipment with more efficient equipment thus resulting in demand reduction.

ISSUES AND POSITIONS

ISSUE 1: Are the Company's proposed goals based on an adequate assessment of the full technical potential of all available demand-side and supply-side conservation and efficiency measures, including demand-side renewable energy systems, pursuant to Section 366.82(3), F.S.?

FIPUG: The Commission should determine whether the technical potential study performed by the utilities achieves the legislative intent of the Florida Energy Efficiency and Conservation Act (FEECA) which is 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, while achieving a reduction in, and control of, the growth rates of electric consumption and of weather-sensitive peak demand.

ISSUE 2: Do the Company's proposed goals adequately reflect the costs and benefits to customers participating in the measure, pursuant to Section 366.82(3)(a), F.S.?

FIPUG: In answering this question, the Commission must balance the goal of conservation with the impact of the cost of conservation programs on rates. The Commission must not overlook rate impact when conservation goals and programs are evaluated.

ISSUE 3: Do the Company's proposed goals adequately reflect the costs and benefits to the general body of rate payers as a whole, including utility incentives and participant contributions pursuant to Section 366.82(3)(b), F.S.?

FIPUG: In answering this question, the Commission must balance the goal of conservation with the impact of the cost of conservation programs on rates. The Commission must not overlook rate impact when conservation goals and programs are evaluated.

ISSUE 4: Do the Company's proposed goals adequately reflect the need for incentives to promote both customer-owned and utility-owned energy efficiency and demand-side renewable energy systems, pursuant to Section 366.82, F.S.?

FIPUG: In answering this question, the Commission must balance the goal of conservation with the impact of the cost of conservation programs on rates. The Commission must not overlook rate impact when conservation goals and programs are evaluated. Improved price signals pertaining to peak and peak-like system conditions are needed to support cost-justified utility administered DSM measures and should be developed.

ISSUE 5: Do the Company's proposed goals adequately reflect the costs imposed by state and federal regulations on the emission of greenhouse gases, pursuant to Section 366.82(3)(d), F.S.?

FIPUG: The cost of greenhouse gas regulation should be based on regulations currently in effect, not regulations that may or may not be implemented at some point in the future.

ISSUE 6: What cost-effectiveness test or tests should the Commission use to set goals, pursuant to Section 366.82, F.S.?

FIPUG: The Commission should give significant weight to the RIM test to determine cost-effectiveness. FIPUG supports RIM-based goals since these goals result in the lowest cost rates for FIPUG members and other utility customers while appropriately advancing energy efficiency efforts. Regardless of which cost-effectiveness test the Commission approves, what is most important is that the Commission encourage conservation programs that strike a reasonable balance between the advantages of the programs to program participants and other rate payers and that these conservation programs are fairly evaluated. Further, in the use of the RIM test, the Commission should be sure that all utilities are conducting the test in the same way and that "lost revenue" for clause "losses" is not included. The Commission should also employ a three year "payback" screen when making a cost effectiveness determination as for the reasons detailed in the discussion below for Issue 7.

ISSUE 7: Do the Company's proposed goals appropriately reflect consideration of free riders?

FIPUG: No. The utilities suggest using a two year payback screen when considering free ridership. However, the evidence adduced at hearing suggests that a three year pay back screen should be used for a host of reasons: 1) it reduces free ridership to a greater degree than a two year payback screen; 2) it results in rate savings for customers; and 3) it provides rate of returns that are more grounded to reasonable expectations given today's economic market conditions. The Commission should use a three year payback screen when considering free ridership.

ISSUE 8: What residential summer and winter megawatt (MW) and annual Gigawatt-hour (GWh) goals should be established for the period 2015-2024?

FIPUG: The Commission should set goals that balance the importance of pursing conservation programs against their cost and the impact of that cost on rates.

ISSUE 9: What commercial/industrial summer and winter megawatt (MW) and annual Gigawatt hour (GWh) goals should be established for the period 2015-2024?

FIPUG: The Commission should set goals that balance the importance of pursing conservation programs against their cost and the impact of that cost on rates.

ISSUE 10: What goals, if any, should be established for increasing the development of demand-side renewable energy systems, pursuant to Section 366.82(2), F.S.?

FIPUG: The Commission should establish appropriate goals for the development and deployment of demand-side renewable energy systems as required by FEECA.

ISSUE 11: Should the Company's existing Solar Pilot Programs be extended and, if so, should any modifications be made to them?

FIPUG: The existing Solar Pilot Programs do not appear cost effective and should not be merely extended in their present form without rigorous review and appropriate modifications.

Discussion of Issue 6 and 7

Put simply, the Commission should employ a three year payback screen rather than a two year payback screen to ensure that "free riders" are limited as much as possible, to reduce the rates paid by customers, and to peg the rate of return to more reasonable expected returns in today's market.

Free ridership and the term "free riders" refer to the fact that a customer will usually implement cost-effective conservation measures without the need for utility incentives or promotion[1]. Tr. at 103. Stated differently, economically rational customers will act in their own economic interests and make use of measures that reduce energy consumption when doing so is economically feasible and attractive. Tr. at 103. The Commission should not adopt a free ridership policy which sets the bar too low, and results in utilities paying customers for actions that those customers would undertake anyway. Witness Deason makes this point clear when he states, "It would be paradoxical to achieve efficiency goals in an inefficient manner." Tr. at 104. The result of setting the payback screen too low is a rate increase for other ratepayers. Tr. at 104.

A three year pay back screen is more appropriate for this Commission to adopt than the two year screen. The two year payback criterion is conservative. Tr. at 133. Expert testimony supports the notion that many customers would implement measures that have a significantly longer payback period than two years. Tr. at 117. Specifically, FPL witness Deason provided testimony and an exhibit which showed that using a three year screen for certain measures still results in returns that range from 39.4% to 67.4%. Tr. at 130-131; JTD-Ex. 2. Furthermore,

[1] References to the transcript in this proceeding will be indicated by use of the abbreviation "Tr." followed by the page number of the transcript.

using a payback screen of five to seven years would lead to returns that most customers are more familiar as reasonable, according to witness Deason. Tr. at 131.

Duke witness Duff testified that businesses often expect a payback period longer than two years, and that Duke believes many commercial and industrial customers are satisfied with a three to four year payback period. Tr. at 548, 581. Witness Duff also included a chart in his testimony that is instructive and supports using a three year screen rather than a two year screen. Tr. at 550. A copy of this chart is set forth below:

Table 6:

Payback Level	Two year Payback Adoption	1.5 Yr Payback Adoption	1 Yr Payback Adoption
Residential Free Riders	~70%	~80%	~90%
Non Residential Free Riders	~45%	~55%	~70%

This chart shows that using a 2 year payback screen results in 70% of residential customers being "free riders" and 45% of non-residential customers being 'free riders". Reducing the payback period below 2 years results in more free riders, as depicted on the chart. Increasing the duration of the pay back screen results in less free ridership. If the policy objective is to reduce free riders, using a two year payback screen that yields a 70% residential free ridership is the wrong approach. A three year payback screen that further reduces the free ridership figure below 70% is the better approach, but presumably still would still not eliminate free ridership based on the chart above and witness Duff's testimony.

Using a three year screen rather than a two year screen would also reduce the rates that customers pay for energy efficiency programs. TECO witness Bryant estimated that ratepayers could expect a rate reduction in ECCR charges between a low of -5% up to a high of -13% if a three year payback screen was used rather than a two year payback screen. Tr. at 742-744. Reducing free ridership while also reducing rates are policy objectives that this Commission should adopt in the case.

The question of whether to use a two year payback period of a three year payback period is a policy decision for this Commission. FIPUG suggests, given the corroborated testimony presented during the case, suitable evidence upon which the Commission can exercise its discretion to expand the payback period by 12 months, from two years to three years. Increasing the payback period to three years further reduces free ridership, is more consistent with rationale economic behavior and expected return rates on invested capital, and results in rate reductions for ratepayers (as much as possibly a 13% reduction in rates - for energy efficiency clause charges - for TECO customers). Put simply, for the reasons set forth above, the Commission should order the use of a three year free ridership payback screen.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of FIPUG's Post-Hearing Statement of Issues and Positions and Post-Hearing Brief, was served by Electronic Mail this 30th day of September, 2014 to the following:

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