

July 22, 2019

Mr. Adam Teitzman, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0850

RE: Docket No. 20190016-EG

Dear Mr. Teitzman:

Attached is the Pre-hearing Statement of Gulf Power Company to be filed in the above referenced docket.

Sincerely,

A handwritten signature in blue ink that reads 'C. Shane Boyett'.

C. Shane Boyett
Regulatory, Forecasting and Pricing Manager

md

Attachments

cc: Gulf Power Company
Russell Badders, Esq., VP & Associate General Counsel
Beggs & Lane

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Commission review of numeric
conservation goals (Gulf Power Company)

Docket No.: 20190016-EG
Date: July 22, 2019

PREHEARING STATEMENT OF GULF POWER COMPANY

Gulf Power Company, (“Gulf Power”, “Gulf”, or “the Company”), by and through its undersigned counsel, and pursuant to Order No. PSC-2019-0062-PCO-EG, issued February 18, 2019, establishing the prehearing procedure in this docket, files this prehearing statement, saying:

A. APPEARANCES

RUSSELL A. BADDERS, Esquire
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STEVEN R. GRIFFIN, Esquire
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P.O. Box 12950
Pensacola, FL 32591-2950
On behalf of Gulf Power Company.

B. WITNESSES

All witnesses known at this time, who may be called by Gulf Power Company, along with the subject matter and issue numbers which will be covered by the witness' testimony, are as follows:

Direct Testimony

Witness	Subject Matter	Issues
John N. Floyd Gulf Power Manager of Strategy and Market Intelligence	Gulf Power Company's proposed Demand-Side Management Goals for 2020-2029	1-10
Jim Herndon Vice President, Nexant, Inc.	Methodology, input data and findings for technical and achievable potential study for Gulf Power and other FEECA utilities.	1, 7

II. Rebuttal Testimony

Witness	Subject Matter	Issues
John N. Floyd Gulf Power Manager of Strategy and Market Intelligence	Response to SACE witnesses' proposals regarding DSM goals, free-ridership screening criteria, cost-effectiveness analyses and other miscellaneous issues.	1, 3, 6, 7, 8, 9
Jim Herndon Vice President, Nexant, Inc.	Response to SACE witnesses' invalid assertions concerning free-ridership and naturally occurring efficiency adoption, invalid assertions concerning application of the Total Resource Cost ("TRC") cost-effectiveness test, and other unfounded critiques of Nexant's market potential studies.	1, 7
Terry Deason Special Consultant, Radey Law Firm	History and rationale for Commission policy decisions in past FEECA proceedings, the appropriateness of relying primarily on the Rate Impact Measure ("RIM") cost-effectiveness test to establish goals, the appropriateness of the use of the two-year payback criterion to screen for free ridership, critique of SACE witnesses' goal proposals and methodology.	3, 4, 6, 7

C. EXHIBITS

I. Direct Exhibits

<u>Witness</u>	<u>Proffered by</u>	<u>Exhibit #</u>	<u>Description</u>	<u>Issues #</u>
John N. Floyd	Gulf Power Company	JNF-1	Proposed Numeric Conservation Goals; Current DSM Programs; Technical Potential Results; Economic Potential Results; Achievable Potential Results; Economic Potential Fuel Sensitivity; Economic Potential Payback Sensitivity; Annual Bill Impact for 1,200 kWh/month Residential Customer	1-10
Jim Herndon	Gulf Power Company	JH-1	Background and Qualifications	N/A
Jim Herndon	Gulf Power Company	JH-5	Market Potential Study for Gulf Power	1,2,3,4,7,8,9,10
Jim Herndon	Gulf Power Company	JH-9	2019 Measure Lists	1
Jim Herndon	Gulf Power Company	JH-10	Comparison of 2014 Measure List to 2019 Measure List	N/A

II. Rebuttal Exhibits

<u>Witness</u>	<u>Proffered by</u>	<u>Exhibit #</u>	<u>Description</u>	<u>Issues #</u>
Terry Deason	Gulf Power Company	JTD-1	Curriculum Vitae	N/A

In addition to the above pre-filed exhibits, Gulf Power reserves the right to utilize any exhibit introduced by any other party. Gulf Power additionally reserves the right to introduce any additional exhibit necessary for rebuttal, cross-examination or impeachment at the final hearing.

D. STATEMENT OF BASIC POSITION

Gulf Power Company's Statement of Basic Position:

It is the basic position of Gulf Power Company that the seasonal peak demand and annual energy conservation goals proposed by Gulf Power Company for the period 2020-2029 are based on a full and appropriate assessment of technical, economic and achievable potential for demand-side conservation and efficiency measures, including demand-side renewable energy systems. The proposed goals are appropriate and adhere strictly to the requirements of section 366.82, Florida Statutes and Rule 25-17.0021, Florida Administrative Code.

Gulf Power's proposed goals are cost-effective, are reasonably achievable, and are based upon Gulf's resource planning process, as required by Rule 25-17.0021. As also required by Rule 25-17.0021, the Company's proposed goals reflect consideration of "free riders" --customers who would adopt DSM measures without any utility-funded incentives-- in addition to consideration of interactions with Florida-specific building codes and federal appliance efficiency standards. In stark contrast to Gulf Power's proposed goals, the goals proposed by the Southern Alliance for Clean Energy ("SACE") are based on an arbitrary percentage of annual sales derived by reference to savings purportedly achieved by two utilities in North Carolina and Arkansas. SACE's proposals are not based on any cost-effectiveness analysis, do not consider the effects of free-ridership and have no relationship to Gulf's resource planning process. Further, SACE Witness Grevatt does not even quantify specific numeric goals for demand but, instead, recommends that demand goals be set in a separate proceeding. In short, SACE's proposals completely cast aside all of the robust analyses required under Chapter 366, Florida Statutes and Rule 25-17.0021. SACE and Sierra Club proposed similar --albeit lower--percent of sales goals in the 2014 FEECA

goal-setting dockets and such proposals were roundly rejected by the Commission as lacking any competent and substantial evidence. See, Order No. PSC-14-0696-FOF-EU at page 36. Notwithstanding the Commission's most recent order, SACE has now increased its proposal by 50 percent. Witness Grevatt's proposed ten-year energy reduction goal of 1,297 gigawatt-hours (GWh) is over 1,200 GWh higher than Gulf's current ten-year goal- an increase of over 1,400 percent. The astronomically high goals proposed by the SACE witnesses are not achievable without record-setting spending by Gulf and potentially not achievable at any cost.

In addition, SACE's proposals would result in unprecedented levels of cross-subsidization of DSM participants by the general body of customers as a whole, including low-income customers. FEECA requires the Commission to consider costs and benefits "to the general body of ratepayers as a whole, including utility incentives and participant contributions."

§366.82(3)(b), Fla. Stat. The goals proposed by Gulf Power are those which will minimize rate impacts for all customers and minimize cross-subsidies between customers. Consistent with the Commission's precedent, Gulf's proposed goals are based upon those measures which were determined to be cost-effective by a combined use of the Participant Test and the Rate Impact Measure ("RIM") test. This economic screen accurately captures all costs and benefits of DSM which are borne by all of Gulf's customers. The Total Resource Cost ("TRC") test advocated by SACE, in contrast, does not reflect costs to the general body of customers in the form of increased electric rates or incentives paid to participants.

For the foregoing reasons, and as set forth in the direct testimony and rebuttal testimony filed by its witnesses, Gulf Power's proposed goals should be approved. Such goals comply with the requirements of FEECA, comply with the Commission's rules, and are in the best interest of

Gulf Power's customers.

E. STATEMENT OF 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.?

GULF: Yes. Through the robust and thorough Market Potential Study performed by Nexant, Inc., Gulf has performed an adequate assessment of the full technical potential of all demand-side conservation and efficiency measures, including demand-side renewable energy systems, of measures that are available in Florida and for which valid measure cost and savings data was available. This assessment included the evaluation of 278 individual end-use energy efficiency, demand response and solar photovoltaic measures. Gulf has not conducted an assessment of supply-side efficiencies in the same manner as its assessment of demand-side measures. Consistent with Rule 25-17.001(5), Florida Administrative Code, Gulf routinely considers energy efficiency in selecting supply-side projects across generation, transmission and distribution functions. Supply-side efficiencies are considered in utility Ten Year Site Plans and in connection with need determinations for new generation resources. In light of the foregoing, and because there are no guidelines in place in this docket which would provide a methodological approach to identifying, quantifying and proposing goals for supply-side efficiencies, Gulf does not believe that consideration of supply-side efficiencies is appropriate in this proceeding. (Herndon, Floyd)

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.?

GULF: Yes. The measures included in the development of Gulf's goals adequately reflect the costs and benefits to participating customers, which Gulf accomplished by performing the Participant's Test and requiring that all measures included in the goals pass this test. Measures which are not cost-effective to the participating customer are therefore not reflected in the Company's proposed DSM goals. (Floyd)

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

GULF: Yes. By passing the RIM test, Gulf's proposed goals reflect the costs (including incentives) and benefits that minimize overall rate impacts for the general body of customers, whether or not they participate in one of the resulting conservation programs. In addition, by only including measures that also pass the Participant's Test, these proposed goals adequately consider participant contributions as a component of overall customer impact. The TRC test, on the other hand, does not reflect all DSM-related costs to the general body of ratepayers as required by Section 366.82(3)(b). The TRC test omits both the incentives paid to participating customers and the economic impact of unrecovered revenue requirements on electric rates – costs borne by all of Gulf's customers. The TRC test, therefore, does not adequately reflect the costs or the benefits to the general body of ratepayers. (Floyd, Deason)

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(3)(c), F.S.?

GULF: Yes. Gulf's proposed goals were developed utilizing the RIM and Participant's tests. In practice, these tests provide incentives to participating customers through the payment of rebates, to the general body of customers by preventing cross-subsidization between DSM program participants and non-participants, and to the utility by ensuring that incorporation of DSM in the resource planning process results in net benefits that put downward pressure on rates. Gulf Power does not believe that additional utility incentives are necessary under a RIM-based goal proposal. (Floyd, Deason)

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.?

GULF: Yes. Gulf is not incurring costs associated with state or federal regulations on the emission of greenhouse gasses. Therefore, Gulf has not included assumptions for costs of greenhouse gas emissions in the development of its proposed goals. Gulf's DSM evaluations are consistent with the statute's directive and with the assumptions used in determining the next generating unit identified in the Company's 2019 Ten Year Site Plan. (Floyd)

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

GULF: The Commission should use the combination of RIM and Participant's tests to set goals for Gulf Power. This combination of tests is consistent with long-standing Commission precedent and the language contained within section 366.82(3)(b), Florida Statutes. These tests provide an appropriate balance between participating and non-participating customer benefits and ensure downward pressure on overall electric rates. The TRC test, on the other hand, does not reflect all costs to the general body of ratepayers as required by Section 366.82(3)(b). (Floyd, Deason)

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

GULF: Yes. As required by Rule 25-17.0021, Florida Administrative Code, the goals established in this proceeding must account for the effects of free ridership. Consistent with long-standing Commission precedent, Gulf utilized a two-year payback criterion to account for free ridership. Use of a simple payback of two years provides a reasonable point of differentiation to predict where customers are more likely to adopt a measure based on the measure's own inherent economic attractiveness, without additional incentives and costs on the general body of customers. The two-year payback criterion is an objective, reasonable, efficient and time-tested method of addressing free ridership during the goal-setting process as required by Commission rule. (Floyd, Herndon, Deason)

ISSUE 8: What residential summer and winter megawatt (MW) and annual Gigawatt-hour (GWh) goals should be established for the period 2020-2029?

Proposed Numeric Conservation Goals – Savings at the Generator											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Residential											
Summer System Peak (MW)	0	0	0	0	0	0	0	0	0	0	0
Winter System Peak (MW)	0	0	0	0	0	0	0	0	0	0	0
Annual Energy (GWh)	0	0	0	0	0	0	0	0	0	0	0

(Floyd)

ISSUE 9: What commercial/industrial summer and winter megawatt (MW) and annual Gigawatt hour (GWh) goals should be established for the period 2020-2029?

Proposed Numeric Conservation Goals – Savings at the Generator											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Commercial/Industrial											
Summer System Peak (MW)	1	1	1	1	1	2	2	2	2	2	15
Winter System Peak (MW)	1	1	1	1	1	1	1	1	1	2	11
Annual Energy (GWh)	0	0	0	0	0	0	0	0	0	0	0

(Floyd)

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.?

GULF: All demand-side renewable energy systems were evaluated using the same cost-effectiveness standards as other energy efficiency measures. No renewable measures are cost-effective under either the RIM or TRC cost-effectiveness tests and, therefore, none are reflected in Gulf’s achievable potential results. In past FEECA proceedings, the Commission determined that it was appropriate to set goals equal to zero in cases where no DSM measures were found to be cost-effective. Given that no renewable measures passed the Commission’s approved cost-effectiveness criteria, setting renewable goals at a level above zero in this proceeding would not be appropriate. (Floyd)

ISSUE 11: Should this docket be closed?

GULF: Yes.

CONTESTED ISSUES

ISSUE 10 (Revised)

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

GULF: SACE has proposed revising existing Issue Number 10 by removing the terms “if any” from the issue verbiage. Gulf Power objects to modification of Issue 10 in the manner proposed by SACE. First, the existing language for Issue 10 was taken directly from the issues deemed appropriate for use in the Commission’s previous goal-setting docket. There have been no changed circumstances that warrant deviation from the previously-approved verbiage. Additionally, SACE’s proposed modification inappropriately pre-supposes that separate goals should be established for increasing the development of demand-side renewable energy systems. The existing verbiage correctly recognizes that the Commission may refrain from establishing separate goals under a variety of circumstances, including circumstances where demand-side renewable energy resources are found not to be cost-effective.

SACE: Should distinct goals for low income customers be established, and if so, what should those goals be?

GULF: Gulf Power objects to inclusion of SACE’s proposed issue pertaining to establishment of distinct low-income goals. Florida’s statutory mechanism for establishing DSM goals (FEECA) does not reference, or even contemplate, establishment of distinct low-income goals. Establishing a separate issue on this subject is therefore unnecessary and inappropriate. Moreover, to the extent that SACE desires to pursue its low-income goal proposal, SACE remains free to do so in the context of Issue 8 which addresses overall residential goals.

F. STIPULATED ISSUES

GULF: Yet to be determined.

G. PENDING MOTIONS

GULF: None.

H. PENDING CONFIDENTIALITY REQUEST

GULF:

1. Request for Confidential Classification and Motion for Protective Order filed on May 7, 2019 [DN 04170-2019] relating to Gulf Power's responses to SACEs First Request for Production (Nos. 1-18), specifically Nos. 1, 2, 3, 5, 6, 8 and 9.
2. Request for Confidential Classification and Motion for Protective Order filed on May 20, 2019 [DN 04442-2019] relating to Gulf Power's responses to SACEs Second Request for Production (Nos. 19-21), specifically No. 19.
3. Request for Confidential Classification and Motion for Protective Order filed on May 23, 2019 [DN 04511-2019] relating to Gulf Power's responses to STAFF's First Request for Production (Nos. 1-4), specifically Nos. 1-2.
4. Request for Confidential Classification and Motion for Protective Order filed on May 30, 2019 [DN 04639-2019] relating to Gulf Power's responses to STAFF's Second Request for Production (No. 5).
5. Request for Confidential Classification and Motion for Protective Order filed on July 5, 2019 [DN 05357-2019] relating to Gulf Power's responses to STAFF's Fourth Request for Production (No. 9-11), specifically No. 11.

I. OBJECTIONS TO WITNESS QUALIFICATIONS AS AN EXPERT

GULF: None at this time.

J. OTHER MATTERS

GULF: To the best knowledge of counsel, Gulf has complied, or is able to comply, with all requirements set forth in the orders on procedure and/or the Commission rules governing this prehearing statement. If other issues are raised for determination at the hearings set for August 12-16, 2019, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Respectfully submitted this 22nd day of July, 2019.



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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: **Commission Review of Numeric**)
Conservation Goals (Gulf Power Company))

Docket No.: 20190016-EG

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by electronic mail this 22nd day of July, 2019 to the following:

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