

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Commission review of numeric
conservation goals (JEA).

DOCKET NO. 20190020-EG

DATE: September 20, 2019

JEA'S POST-HEARING BRIEF

JEA, pursuant to Order No. PSC-2019-0062-PCO-EG (Order Consolidating Dockets and Establishing Procedure) and Order No. PSC-2019-0323-PHO-EG (Pre-Hearing Order), respectfully submits the following Post-Hearing Brief in the above-captioned docket.

INTRODUCTION AND SUMMARY

This proceeding presents the Commission with important decisions that could significantly impact the customers of all utilities regulated under the Florida Energy Efficiency and Conservation Act ("FEECA"). Intervenor Southern Alliance for Clean Energy ("SACE") asks the Commission to reject long-standing administrative and judicial precedent that calls for use of the Rate Impact Measure ("RIM") test to ensure that impacts on customer rates are appropriately considered in setting FEECA goals. Instead, SACE asks the Commission to rely primarily on the Total Resource Costs ("TRC") test, which wholly fails to consider potential rate impacts, and establish goals in a manner previously rejected by the Commission based upon an arbitrary percentage of retail sales. *See In re: Commission review of numeric conservation goals*, Order No. PSC-14-0696-FOF-EU, p. 36 (Dec. 16, 2014) (rejecting SACE and Sierra Club proposed goals based upon a percentage of retail energy sales). As a result, SACE's proposal would drastically increase rates at a time when utility customers, especially those with low incomes, can ill afford them.

As a municipal utility over which the Commission has no rate-setting authority, JEA has a special interest in the potential rate impact of FEECA-imposed conservation goals. Independent rate-setting authority is a fundamental aspect of public power. [T. 753 (Wucker)].¹ It provides the necessary latitude to make local decisions regarding the community's investment in energy efficiency that best suit local needs and values. *Id.* Local decisions are based on input from citizens who can speak out on electric power issues at governing board meetings. *Id.* Imposition of FEECA goals that would place upward pressure on rates would undercut the independent rate-setting and local decision-making processes that are the hallmark of municipal utilities. In other words, to set goals that will force JEA to raise rates is simply doing indirectly what the Commission cannot do directly. Accordingly, as the Commission has recognized in prior FEECA goal-setting proceedings, it is appropriate to set goals for JEA based on the RIM test, and to defer to the municipal utility's governing body to determine the level of investment in any non-RIM-based measures. *See In re: Adoption of Numeric Conservation Goals and Consideration of National Energy Policy Act Standards (Section 111)*, Order No. PSC-95-0461-FOF-EG, p. 3 (April 10, 1995).

In coordination with the other FEECA utilities, JEA engaged Nexant to identify demand-side management ("DSM") and evaluate the technical, economic, and achievable potential for DSM in JEA's service territory. [T. 755 (Wucker)]. Nexant's economic analysis demonstrated that there are no cost-effective RIM measures. [*Id.*; EX. 32]. Accordingly, the DSM goals for JEA should be set at zero through the evaluation period ending in 2029. This does not mean that JEA is against energy efficiency and conservation. To the contrary, JEA will continue to offer DSM programs to its customers. [T. 1349-50 (Wucker); EX. 220]. However, as the

¹ References to the transcript of the proceeding are indicated by "T.", the appropriate page number of the transcript, and the witness testifying in parentheses. References to exhibits are indicated by "EX." followed by the exhibit number.

Commission has repeatedly stated, "it is reasonable to allow JEA to determine whether or not it should continue to offer existing [non-RIM] DSM programs as JEA is in the best position to determine its customers' needs." *In re: Petition for Approval of Numeric Conservation Goals by JEA*, Order No. PSC-2004-0768-PAA-EG, p. 3 (Aug. 9, 2004); *see also In re: Adoption of Numeric Conservation Goals and Consideration of National Energy Act Standards (Section 111) by Jacksonville Electric Authority*, Order No. PSC-2000-0588-FOF-EG, p. 3 (March 23, 2000) ("As to those [non-RIM] DSM programs that JEA wishes to continue to offer, we find it reasonable to allow JEA to determine whether or not such programs should be continued because JEA is best-situated to determine its customers' needs").

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.?**

JEA: **Yes. JEA's proposed goals are 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. JEA engaged Nexant to evaluate DSM measures in JEA's service territory. Nexant analyzed the technical potential for energy efficiency, demand response, and demand side renewable energy across customer classes for the 2020-2029 time period. For JEA, Nexant also analyzed economic potential and achievable potential.**

The technical potential study performed by Nexant provided an adequate assessment of the technical potential of demand-side and supply-side conservation and efficiency measures, including demand-side renewable energy systems. [T. 759 (Wucker)]. Drawing upon its recognized expertise, Nexant utilized its state-of-the-art model to comprehensively analyze the full technical potential of energy efficiency, demand response, and demand-side renewable energy technologies. *Id.*

The first step in Nexant's analysis of DSM market potential was load forecast disaggregation. [T. 321 (Herndon); EX. 32, p.8]. To disaggregate the load forecast, Nexant collected utility load forecast data, relevant customer segmentation and end-use consumption data, and supplemented this with existing secondary data to create a disaggregated utility load forecast broken out by customer sector and segment, as well as by end-use and equipment type. [T. 321-22 (Herndon); EX. 32, p.11-20]. The disaggregated forecast, which was calibrated to the overall utility forecast, forms the basis for the development of market potential. [T. 322 (Herndon)].

The second step was measure development. Nexant worked with the FEECA utilities to develop a comprehensive list of DSM technologies currently commercially available in Florida. For all measures included in the study, Nexant developed estimates of energy and demand savings, useful life, and incremental cost. [*Id.*; EX. 32, p.8]. The measure identification process was robust, comprehensive and appropriate for the objectives of the study. [T. 324 (Herndon); EX. 32, p.21-25]. The final measures list was developed to account for DSM measures that have been considered in prior Florida studies, and was based on current Florida Building Code and federal equipment standards, current program offerings by FEECA utilities, and incorporation of DSM measures considered in other market potential studies and other utility DSM program offering around the country. [T. 324 (Herndon); EX. 32, p.21]. The thorough process for developing the list resulted in a comprehensive set of 278 unique energy efficiency, demand response, and demand-side renewable energy measures. [T. 324 (Herndon)]. Comparing the measure list to the measure list for the 2014 goals docket, the 2019 technical potential study added 107 unique measures and eliminated 12 unique measures. [T. 324 (Herndon); EX. 34].

Once measures were selected, the next step in Nexant's analysis was to develop individual impacts for each measure. [T. 325 (Herndon); EX. 32]. These impacts included

quantifying demand (kW) and energy (kWh) savings, equipment useful life, and incremental costs of the measure. The measure impacts were subsequently applied to the disaggregated utility load forecasts to estimate technical potential. [T. 325 (Herndon); EX. 32, p.26]. The purpose of a technical potential analysis is to identify the theoretical limit to reducing summer and winter electric peak demand and energy. [T. 325 (Herndon)]. The technical potential assumes every identified potential end-use measure is installed everywhere it is “technically” feasible to do so from an engineering standpoint regardless of cost, customer acceptance, or any other real-world constraints. *Id.* Therefore, the technical potential does not reflect the MW and GWh savings that are achievable through real-world voluntary utility programs, but rather it establishes the theoretical upper bound for DSM potential. *Id.* Nexant performed additional analyses for JEA to analyze economic and achievable potential. [T. 321 (Herndon); T. 755 (Wucker); EX. 32].

SACE contends that the technical potential analysis ignores the possibility of early retirement of measures. [T. 955-56 (Grevatt)]. For a long-term market potential study analyzing the market potential over a 10-year period, however, the application of an even distribution of equipment turnover results in a population of equipment eligible for the installation of DSM equipment measures each year of the study. [T. 1110 (Herndon)]. While early retirement may be allowed or encouraged in specific utility DSM program designs, for the purposes of identifying and calculating the market potential, it is reasonable to assume a consistent turnover rate each year for the application of market adoption curves (i.e., that customers will replace older equipment at the end of its useful life). *Id.* The introduction of an additional population of “early retirement” customers would primarily create a shift between years, but the long-term 10-year potential would remain essentially the same because that customer would have been included in the study in either case. *Id.* The effect of adding early

retirement as a separate class of customers in the market potential study would be negligible on the achievable potential, with increased complexity and uncertainty to the results. [T. 1112 (Herndon)].

SACE also criticized the labor costs to install certain measures utilized in the study. [T. 962-63 (Grevatt)]. However, in each instance where Nexant analyzed and developed non-incentive cost assumptions, the assumptions were based on actual program performance data from the FEECA utilities and other regional and national utilities, which provided a reasonable proxy for utility-sponsored DSM program costs. [T. 1113-14 (Herndon)].

For these reasons, none of the criticisms of the Nexant technical potential estimates have merit. To the contrary, the scope of the measures analyzed was comprehensive and consistent with the requirements of FEECA and Rule 25-17.0021, F.A.C.

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.?

JEA: **Yes. JEA's proposed goals adequately reflect the costs and benefits to customers participating in the measure. JEA's proposed goals are based on forecasts of achievable potential driven primarily by measure-level assessments of cost-effectiveness to customers. Specifically, customer cost-effectiveness is assessed using the Participant Test, where benefits are calculated based on customer bill savings and costs are based on participant costs of acquiring and installing the energy efficiency measure (net of utility program incentives).**

JEA's proposed goals are based on estimates of achievable potential developed by Nexant as part of its comprehensive and analytically sound studies. [T. 761 (Wucker)]. The analysis performed by Nexant for JEA is based on forecasts of achievable potential that are driven primarily by measure-level assessments of cost-effectiveness to customers. *Id.* Specifically, customer cost-effectiveness is assessed using the Participant Test, where benefits are calculated based on customer bill savings and costs are based on participant costs of

acquiring and installing the energy efficiency measures (net of utility program incentives). *Id.* Both the participant benefits and participant costs are assessed on present value over life of the measure. *Id.*

SACE contends that the proposed goals do not adequately reflect the costs and benefits to customers because they place the economic potential of cost-effective measures at zero and inflate labor and administrative costs. With regard to economic potential, as discussed above and in Issue No. 3 below, JEA appropriately based its proposed goals on measures that passed the Participant and RIM tests, consistent with previous Commission practice. [T. 752 (Wucker); T. 1046-56 (Deason)]. With regard to labor and administrative costs, as discussed in Issue No. 1 above, Nexant's assumptions were based on actual program performance data from the FEECA utilities and other regional and national utilities, which provided a reasonable proxy for utility-sponsored DSM program costs. [T. 1113-14 (Herndon)].

For these reasons, contrary to SACE's contentions, the record establishes that JEA's goals appropriately and adequately consider the costs and benefits to customers participating in the measure.

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.?

JEA: **Yes. JEA's proposed goals are based on achievable potential that included consideration of the costs and benefits to the general body of ratepayers as a whole, including utility incentives and participant contributions, through use of the RIM and Participant tests.**

JEA's proposed goals are based on estimates of achievable potential developed by Nexant as part of its comprehensive and analytically sound studies. Nexant's analysis appropriately included consideration of the costs and benefits to the general body of ratepayers as a whole, including utility incentives and participant contributions, through use of the RIM and Participant tests. [T. 761 (Wucker)] In that regard, the Participant test considers the participant perspective, considering the net benefits to those participating in a DSM measure. [EX. 32, p.44]. The RIM test accounts for both the cost of incentives paid to program participants and the upward pressure on rates from unrecovered revenue requirements. [T. 1046 (Deason)]. Both RIM and the Participant tests account for utility incentives paid to customers, with the RIM test treating them as a cost and the Participant test treating them as a benefit. As such, when used in conjunction with each other, the RIM and Participant tests satisfy the Commission's statutory obligation under Section 366.82(3)(b), F.S., to consider the costs and benefits to the general body of ratepayers as a whole, including utility incentives and participant contributions. [T. 761 (Wucker)].

By contrast, the Total Resource Cost (TRC) test advocated by SACE omits both the incentives paid to participating customers and the economic impact of unrecovered revenue requirements on electric rates – costs borne by all electric customers. [T. 1241 (Deason)]. It also results in higher bills for non-participants because of the cross-subsidies between participants and non-participants. [T. 1057-59 (Deason)]. The TRC test, therefore, does not adequately

reflect the costs or the benefits to the general body of ratepayers as required by Section 366.82(3)(b), F.S.

Contrary to SACE's suggestion, use of the RIM test will not result in elimination of low-income programs. JEA has no plans to end its current conservation programs and is planning to expand its low-income program. [T. 1349 (Wucker)]. JEA will continue to offer conservation programs that are in the best interest of the community by balancing rate impacts and the needs of all of JEA's customers. *Id.* As JEA witness Wucker explained, with regard to low-income customers, JEA builds upon special relationships it has with other local agencies to specifically target low-income communities with the most need and potential for energy savings. [T. 1347 (Wucker)]. Since 2010, JEA's Neighborhood Energy Efficiency Program has yielded almost 11,000 MWh's of annual energy savings with coincident peak impacts exceeding 4 MWs. [T. 1348 (Wucker)]. And, JEA's low-income insulation program has been implemented in over 1,600 homes, reducing those customers' monthly bill by over 11% on average. *Id.*

Consistent with established Commission practice and precedent, setting JEA's goals based on RIM would continue to provide JEA, as a municipal utility, the flexibility to determine the level of investment in energy efficiency that best suits the community's needs and values. [T. 1349-50 (Wucker)]; *In re: Petition for Approval of Numeric Conservation Goals by JEA*, Order No. PSC-2004-0768-PAA-EG, p. 3 (Aug. 9, 2004); *In re: Adoption of Numeric Conservation Goals and Consideration of National Energy Act Standards (Section 111) by Jacksonville Electric Authority*, Order No. PSC-2000-0588-FOF-EG, p. 3 (March 23, 2000).

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.?

JEA: **Yes. JEA has comprehensively analyzed customer-owned energy efficiency measures and none were found to be cost-effective. JEA's load forecast reflects the impacts of net metering associated with customer-owned rooftop solar photovoltaic systems, and this load forecast was used as the basis for the cost-effectiveness analysis. As such, incentives to promote customer-owned demand-side renewable energy systems are adequately reflected in JEA's proposed goals. Utility-owned energy efficiency and renewable energy systems are supply-side issues.**

Nexant's analysis comprehensively analyzed customer-owned energy efficiency measures and none were found to be cost-effective for JEA under the RIM test. [T. 761 (Wucker); EX. 32]. JEA's load forecast reflects the impacts of net metering associated with customer-owned rooftop solar photovoltaic (PV) systems, and this load forecast was used as the basis for the cost-effectiveness analysis performed by Nexant for this Docket. *Id.* As such, incentives to promote customer-owned demand-side renewable energy systems are adequately reflected in JEA's proposed goals. Utility-owned energy efficiency and renewable energy systems are supply-side issues. [T. 761-62 (Wucker)].

Contrary to SACE's suggestion, and as discussed in Issue No. 7 below, the use of the two-year payback screen is appropriate and consistent with prior Commission practice. The purpose of the two-year payback is to account for free riders – those customers who would receive an incentive from the utility for a DSM measure that he or she would install without the incentive. [T. 1062 (Deason)]. Rule 25-17.0021(3), F.A.C., requires FEECA utilities to address free riders as part of the goals analyses. The two-year payback criterion was first used by the Commission in the 1993-94 goals setting proceeding and has largely been consistently used since that proceeding. *See In re: Commission review of numeric conservation goals*, Order No. PSC-14-0696-FOF-EU, p. 36 (Dec. 16, 2014) (“We approved goals based on a two-year payback

criterion to identify free riders since 1994 and we find it appropriate to continue this policy.”) [T. 1063 (Deason)]. SACE has failed to provide a meaningful alternative to the Commission’s long-standing practice of applying the two-year payback screen. [T. 1070 (Deason)].

For these reasons, JEA’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.

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.?

JEA: **Yes. There currently are no costs imposed by State and Federal regulations on the emissions of greenhouse gases (GHG). While there is much speculation on the potential for GHG regulations, it would be inappropriate to establish DSM goals that would increase customer rates based on speculation related to yet-to-be defined potential regulations of GHG emissions.**

Greenhouse gases are not currently regulated at either the state or federal level, and presently there are no costs imposed on the emissions of greenhouse gases. [T. 762 (Wucker)]. Based on the plain language of Section 366.892(3)(d), F.S., which requires consideration of “costs imposed by state and federal regulations on the emission of greenhouse gases” (emphasis added), it would be inappropriate to establish DSM goals that would increase customer rates based on speculation related to yet-to-be defined potential regulation of GHGs. [T. 762 (Wucker)].

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

JEA: **The Commission should use the RIM and Participant tests in setting goals. When used in conjunction, these tests fulfill the Commission’s statutory obligations. Specifically, the Participant test includes all of the benefits and costs that a customer who is considering participating in a DSM measure would consider; whereas the RIM test includes all of the benefits and costs that the utility’s customers as a whole would incur if the utility implements a particular measure.**

Section 366.82, Florida Statutes, requires the Commission to consider, among other things, the costs and benefits to the participating ratepayers as well as the general body of ratepayers as a whole, including utility incentives and participant contributions. However, Section 366.82 does not dictate which cost-effectiveness test must be used to establish DSM goals. Likewise, although the Commission's cost-effectiveness manual incorporated by reference in Rule 25-17.008(3), F.A.C., outlines the Participants test, RIM test, and the TRC test for use when evaluating the cost-effectiveness of conservation programs, "it does not specify preference for any one test." *In re: Commission review of numeric conservation goals*, Order No. PSC-14-0696-FOF-EU, p. 21 (Dec. 16, 2014). Here, the Commission should continue to use both the RIM and Participant tests in setting DSM goals. As discussed in Issue No. 3 above, when used in conjunction with each other, these tests fulfill the Commission's statutory obligations. Specifically, the Participant test considers the participant perspective, considering the net benefits to those participating in a DSM measure [EX 32, p. 44]; whereas the RIM test accounts for both the cost of incentives paid to program participants and the upward pressure on rates from unrecovered revenue requirements. [T. 1046 (Deason)].

As discussed in Issue Nos. 2 and 3 above, consistent with FEECA and established precedent, the Commission has appropriately utilized RIM as the primary cost-effectiveness test in setting conservation goals for FEECA utilities. Because the RIM test ensures no DSM-related impact to customers' rates, it is particularly appropriate in establishing DSM goals for municipal utilities such as JEA. [T. 753 (Wucker)]. Local governing is a fundamental aspect of public power. It provides the necessary latitude to make local decisions regarding the community's investment in energy efficient that best suit local needs and values. *Id.* Accordingly, as the Commission has recognized in prior proceedings, it is appropriate to set goals based on RIM, but

to defer to the municipal utilities' governing bodies to determine the level of investment in any non-RIM based measures. *In re: Petition for Approval of Numeric Conservation Goals by JEA*, Order No. PSC-2004-0768-PAA-EG, p. 3; *see also* Order No. PSC-2000-0588-FOF-EG, p. 3. [T. 753 (Wucker)].

As discussed in Issue No. 3, above, the TRC test advocated by SACE fails to consider both the incentives paid to participating customers and the economic impact of unrecovered revenue requirements on electric rates – costs borne by all electric customers. [T. 1046 (Deason)]. It also results in higher bills for non-participants because of the cross-subsidies between participants and non-participants. [T. 1061 (Deason)]. JEA is a not-for-profit, community-owned utility, which means it does not earn profits for or obtain funding from third party equity investors. [T. 1345 (Wucker)]. Because JEA does not have stockholders, all costs – including existing fixed costs and new expenditures – must be recovered through customer rates. *Id.* If energy sales decrease, JEA's rates must increase in order for JEA to recover these existing fixed costs. If rates go up, the bills for non-participants will go up as well, including low-income customers who are most affected by higher bills. *Id.*

The Commission has previously considered and rejected SACE's proffered narrow focus on customer bills rather than rates, concluding:

LEAF's argument that Rule 25-17.001(7), Florida Administrative Code, uses the term "cost" in a fashion that mandates the use of the TRC test to the exclusion of the Participants and RIM tests in setting goals is at odds with the flexibility given under FEECA and preserved in our conservation goals and conservation cost-effectiveness rules. LEAF construes the term "cost" as meaning "bills" when the more plausible contextual interpretation is that "cost" means "rates". There has been no Commission failure to consider bill impact. We have chosen to keep rates lower for all customers, lowering bills for non-participants and participants.

Order No. PSC-95-0075-FOF-EG, p. 10-11 (Jan. 12, 1995). [T. 1049-50 (Deason)]. The Florida Supreme Court affirmed the use of RIM and further found that the Commission was compelled

by Section 366.81, F.S., to consider the overall effect on rates and revenue requirements that the RIM test afforded. *Legal Envtl. Assistance Found., Inc. v. Clark*, 668 So. 2d 982, 988 (Fla. 1996) (“The Commission was . . . compelled to determine the overall effect on rates, generation expansion, and revenue requirements. Based on our review of the record, we find ample support for the Commission’s determination to set conservation goals using RIM measures.”). [T. 1050-51 (Deason)].

The use of RIM is further supported by the plain language of Section 366.82, Florida Statutes. Section 366.82(3)(b), F.S., requires the Commission to consider “The costs and benefits to the general body of ratepayers as a whole, including utility incentives and participant contributions.” Only the RIM test ensures that all customers in the general body of customers are protected from potential cross-subsidies. [T. 1051 (Deason)]. Its application results in the protection of all customers as a whole. *Id.* Further, the TRC test ignores utility incentives paid to participating customers, while the RIM test appropriately considers the cost of such incentives. [T. 1052 (Deason)]. Therefore, the policy established by Section 366.82(3)(b) supports the use of the RIM test. *Id.* In addition, Section 366.82(7) grants the Commission “the flexibility to modify or deny plans or programs that would have an undue impact on the costs passed on to customers.” Since only the RIM test considers the impact on the level of customer rates, this statutory provision also supports the use of RIM. [T. 1052 (Deason)]. Therefore, the RIM test is the best test to comply with the requirements of Section 366.82, F.S.

For these reasons, the Participant and RIM tests remain the appropriate tests to set goals pursuant to Section 366.82, F.S.

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

JEA: **Yes. The screening criteria were based on simple payback to the customer (2 years of less) and were designed to remove measures from the achievable potential forecasts that exhibit the key characteristic most associated with high levels of free-ridership in utility rebate programs. The sensitivity of total achievable potential to this particular screening criterion was tested using alternative simple payback screening values (1 year and 3 years).**

JEA utilized an appropriate methodology in the consideration of free riders. A free rider is a customer who would receive an incentive from the utility for a DSM measure that he or she would install even without the existence of the incentive. [T. 1062 (Deason)]. Rule 25-17.0021(3), F.A.C., requires the FEECA utilities to address free riders as part of the goals analyses.

The screening criteria used by Nexant were based on simple payback to the customer of two years or less and were designed to remove measures from the achievable potential forecasts that exhibit the key characteristic most associated with high levels of free-ridership in utility rebate programs, i.e., measures with naturally high levels of cost-effectiveness to the customer. [T. 762-63 (Wucker)]. The sensitivity of total achievable potential to this particular screening criterion was tested using alternative simple payback screening values of 1 year and 3 years. [T. 763 (Wucker)].

Contrary to SACE's suggestion, the use of the 2-year payback screen is an appropriate method to account for free-ridership. The two-year payback criterion was first used by the Commission in the 1993-94 goals setting proceeding, adopted as a means to account for free riders as required by Rule 25-17.0021(3), F.A.C. [T. 1063 (Deason)]. In the most recent goal-setting proceeding, the Commission again used the two-year payback criterion to account for free riders. Order No. PSC-14-0696-EU, p. 27 ("We approved goals based on a two-year payback criterion to identify free riders since 1994 and we find it appropriate to continue this policy."). The Commission specifically stated: "We find that the two-year payback criterion provides

sufficient economic incentive to convince a customer to participate in a given energy efficiency program while balancing the requirement to account for free riders and minimizing program costs and undue subsidies.” *Id.* at 26-27.

SACE’s witnesses incorrectly assert that free ridership effects were double counted in Nexant’s estimates of achievable potential because Nexant included naturally-occurring efficiency in developing the estimates of technical potential. [T. 935 (Grevatt); T. 1001 (Bradley-Wright)]. This assertion incorrectly combines two separate components of the Market Potential Study. [T. 1103-04 (Herndon)]. The study’s consideration of naturally-occurring efficiency in JEA’s forecast calibrates measure parameters, such as baseline efficiency and current saturation, to align with forecasted energy trends that include historic customer behavior and *past* DSM program performance, but does not address the likelihood of *future* free ridership if the measure is included in a utility-sponsored DSM program. [T. 1104 (Herndon)]. Therefore, an additional step – application of the two-year payback criterion – was necessary to account for free riders as required by Rule 25-17.0021(3), F.A.C. *Id.* While both components address DSM measures in the study, the naturally-occurring efficiency component is applied within individual measure parameters to calibrate the baseline and applicability factors to the current forecast. [T. 1105-06 (Herndon)]. The free ridership component is applied to determine which measures should be eliminated from consideration in setting DSM goals due to higher likelihood of future free ridership. *Id.*

The Commission’s long-standing policy is consistent with FEECA and Rule 25-17.0021, F.A.C. [T. 1063 (Deason)]. SACE’s witnesses have not provided a meaningful alternative or a basis to depart from the Commission’s long-held policy on free riders and use of the two-year payback criterion. [T. 1070 (Deason)].

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

JEA: **No residential DSM measures passed the RIM test. Accordingly, the Commission should establish goals of 0 MW (summer and winter) and 0 MWh (annual energy) for the residential class.**

Nexant's analysis indicated that there are no cost-effective residential measures based on the RIM and Participant tests. [T. 760 (Wucker); EX. 32, p.4]. Accordingly, the DSM goals for JEA should be set at zero through the current evaluation period ending in 2029. Separate low-income goals should not be set for JEA. As discussed in Issue No. 3, JEA has no plans to end its current conservation programs and is planning to expand its low-income program. [T. 1349 (Wucker)]. Setting separate low-income goals for JEA, where no measures passed the RIM test, would reduce JEA's flexibility to determine the level of investment in energy efficiency that best suits the community's needs and values. [T. 1344 (Wucker)].

The Commission should reject SACE's suggestion to set DSM goals for each of the FEECA utilities which would achieve annual efficiency savings equal to 1.5% of annual retail sales by 2024. [T. 972 (Grevatt)]. A 1.5% goal is completely arbitrary. [T. 1349 (Wucker)] Some utilities may be able to cost-effectively achieve 1.5% and some may not. *Id.* It depends wholly on the specific utility. *Id.* But Nexant's analysis demonstrates that JEA cannot cost effectively achieve such a level of DSM savings and SACE presented no evidence to the contrary.

SACE's witness acknowledged that this recommendation was based on savings achieved by Duke Energy Carolinas and Entergy Arkansas because "it is not possible to make all the needed corrections to the utilities' analyses in this proceeding." [T. 972 (Grevatt)]. Both FEECA and Commission rules require goals to be based on Florida-specific data and analysis. [T. 1072 (Deason)]. SACE's proposed goal is not Florida-specific, but instead relies solely upon

other states. *Id.* Further, SACE's proposed goal fails to recommend peak demand goals as required by 25-17.0021(3), F.A.C. [T. 1072 (Deason)]. SACE's proposed goal is also inconsistent with FEECA and Commission rules by failing to rely on a cost-effectiveness test, failing to address system reliability, failing to place demand-side and supply-side renewable resources on a level playing field, failing to keep rates low and minimize cross-subsidization, and failing to address free riders. § 366.82, F.S.; R. 25-17.0021(3), F.A.C.; R. 25-17.008, F.A.C. [T. 1072-73 (Deason)].

The Commission has previously considered and rejected a goal-setting approach based on a blanket percentage of sales. *See In re: Commission review of numeric conservation goals*, Order No. PSC-14-0696-FOF-EU, p. 36 (Dec. 16, 2014). As in the previous goal-setting proceeding, the Commission should similarly reject SACE's proposed goal as contrary to FEECA and Commission rules and unsupported by competent substantial evidence.

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

JEA: **No commercial/industrial DSM measures passed the RIM test. Accordingly, the Commission should establish goals of 0 MW (summer and winter) and 0 MWh (annual energy) for the commercial/industrial class.**

Nexant's analysis indicated that there are no cost-effective measures for commercial/industrial energy efficiency for JEA based on the RIM and Participant tests. [T. 760 (Wucker); EX.32, p.4]. Accordingly, the DSM goals for JEA should be set at zero through the current evaluation period ending in 2029. The Commission should reject SACE's proposed goals for the reasons discussed in Issue No. 8.

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.?

JEA: **The cost-effectiveness analysis of demand-side renewable energy systems shows that they are not cost-effective. Therefore, no goals should be established for demand-side renewable systems.**

Nexant's analysis demonstrated that there is no cost-effective potential for demand-side renewable energy systems for JEA. [T. 760 (Wucker); EX. 32, p.56]. Therefore, consistent with past practice as to JEA, no goals should be established for JEA for demand-side renewable systems. *See In re: Commission review of numeric conservation goals*, Order No. PSC-09-0855-FOF-EU, p. 28 (Dec. 30, 2009) (“[B]ased purely on the cost-effectiveness test results, we have the option to set goals equal to zero for demand-side renewable resources.”) However, JEA intends to continue offering demand-side renewable energy programs, including solar water heating, as well as residential and commercial solar net metering. [EX. 220 (JEA Response to Staff Int. No. 51)].

ISSUE 11: Should these dockets be closed?

JEA: **Yes.**

Respectfully submitted this 20th day of September, 2019.



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic delivery, this 20th day of September, 2019, to the following:

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