

FPSC Staff Workshop  
On Evaluating the Costs and Benefits  
Of Utility-Sponsored Energy Efficiency  
and Demand-Side Management Programs

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# Purpose of Today's Workshop

Discuss how the costs and benefits of utility-sponsored energy efficiency and DSM programs should be evaluated.

## Framework for Discussion

- Statutory authority
- FPSC policy development
- Three cost-effectiveness tests used by FPSC
- FPSC proceedings that require cost-effectiveness analyses
- Questions for today's discussion and written comments

# FPSC's Statutory Authority

## **Sections 366.80 – 366.82, Florida Statutes Florida Energy Efficiency and Conservation Act (FEECA)**

- Requires the FPSC to review and approve cost-effective utility conservation or DSM programs
- Requires the FPSC to set conservation goals for all Florida investor-owned and 2 largest municipal electric utilities
- Does not define cost-effective

# FPSC Policy Development

## Rule 25-17.008, F.A.C.

- Requires utilities seeking approval of DSM programs to submit, at a minimum, 3 cost-effectiveness tests
- Tests must be performed according to the FPSC's cost-effectiveness manual
- Three required tests
  - Participants
  - Ratepayer Impact Measure (RIM)
  - Total Resource Cost (TRC)

# FPSC Proceedings that Require Cost-Effectiveness Analyses

- Establishing numeric DSM goals
- Approving DSM plans
- Approving DSM programs
- Ongoing monitoring of DSM programs
- Modifying DSM programs
- Need determinations for generating capacity

	<b>Participants</b>	<b>RIM</b>	<b>TRC</b>
<b><i>Benefits</i></b>			
Bill reduction	X		
Incentives received	X		
Avoided costs (G+T+D+Fuel)		X	X
<b><i>Costs</i></b>			
Program costs		X	X
System fuel cost increase		X	X
Incentives paid		X	
Lost revenues		X	
Participant costs	X		X

# TRC vs. Societal Tests

- Societal test = TRC test plus non-economic benefits and costs (externalities)
- TRC test in FPSC cost-effectiveness manual provides for inclusion of externalities
- FPSC has not quantified a value for externalities
- The costs of compliance with established environmental regulations are included in the avoided costs used in the tests.

# Questions for Today's Discussion

What is each cost-effectiveness test designed to achieve?

Are the tests capturing all the benefits and costs of energy efficiency and DSM?

How do the tests used affect the level of conservation goals?

Should the tests be modified to address other concerns?

Should non-economic benefits and costs be included, and if so, how?



# Post-Workshop Comments

- Transcript available – 5/12/08
- Written comments due – 5/21/08
- Please address questions in staff's presentation
- Send comments to
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