

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Florida Power  
& Light Company to terminate  
Residential Heat Recovery Water  
Heating Program.

DOCKET NO. 970542-EG  
ORDER NO. PSC-97-1351-FOF-EG  
ISSUED: October 27, 1997

The following Commissioners participated in the disposition of  
this matter:

JULIA L. JOHNSON, Chairman  
J. TERRY DEASON  
SUSAN F. CLARK  
DIANE K. KIESLING  
JOE GARCIA

NOTICE OF PROPOSED AGENCY ACTION  
ORDER GRANTING PETITION TO TERMINATE  
RESIDENTIAL HEAT RECOVERY WATER HEATING PROGRAM

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

We approved Florida Power and Light's (FPL or Company) Residential Heat Recovery Water Heating (RHRWH) Program as part of FPL's demand side management (DSM) plan in Docket No. 941170-EG, Order Nos. PSC-95-1343-S-EG, issued November 1, 1995, and PSC-95-1343A-S-EG, issued November 27, 1995. The RHRWH Program is designed to reduce FPL's summer and winter coincident peak demand and energy attributable to electric resistance water heating equipment by encouraging customers, through the use of incentives, to purchase heat recovery units (HRU). The RHRWH Program applies to residential dwelling units that have been served by FPL for at least one year. The existing water heater must be an electric resistance water heater, and must not currently have an associated operational solar or heat pump water heater.

DOCUMENT NUMBER-DATE

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FPL-RECORDS/REPORTING

In Commission staff's first set of interrogatories to FPL in Docket No. 960002-EG, the Company was asked to evaluate each of its approved DSM Programs using the Company's most recent planning assumptions. The results showed that the RHRWH Program, along with several other DSM programs, failed the Rate Impact Measure (RIM) test. FPL stated that the requested analyses were not sufficient to assess whether the programs should continue to be offered. FPL agreed at that time to reevaluate each of the programs that failed the RIM test to determine potential program modifications that may be desirable.

On May 6, 1997, FPL filed a petition to terminate its RHRWH Program and remove it from FPL's DSM plan. FPL now believes that the Program is no longer cost-effective and cannot be modified to be made cost-effective and still address the needs of FPL's customers. We approve Florida Power and Light Company's Petition to Terminate its Residential Heat Recovery Water Heating Program.

When the evaluations were performed in FPL's 1996 planning process, the benefit-to-cost ratio for the RHRWH Program's RIM test was calculated to be 0.67. This analysis included an incentive of \$340 for each kilowatt (kW) reduction. Even if the incentives were eliminated, and the number of participants remained the same, the benefit-to-cost ratio for the Program's RIM test increased to only 0.77.

Two factors contributed to the benefit-to-cost ratio problems of the RHRWH Program. First, FPL's actual kW and kilowatt hour (kWH) savings, .10 kW and 250 kWH per installation, discerned by enduse monitoring were less than the projected kW and kWH savings (.22 kW and 579 kWH), obtained from data supplied by the Florida Solar Energy Center. The data reflected a .22kW and 579 kWH savings. Because the actual kW and kWH savings are less than the projected savings, the benefits to FPL's ratepayers are reduced.

Second, FPL's actual participation in its RHRWH Program in 1996 was less than projected. FPL projected 2,697 participants in 1996 and only 1,332 actually took part in the Program. FPL now projects that there will be 1000 participants per year in the RHRWH Program thru 2000. Because the Program's administration costs in most cases are fixed, reductions in the number of participants increases the cost per participant to administer the Program.

FPL proposes to end the RHRWH Program by discontinuing to process any incentive certificates which are related to

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installations of heat recovery units made twenty (20) days after the date this order becomes final. FPL will notify all of the Program's independent participating contractors of the order terminating the RHRWH Program in writing within five (5) days of this order becoming final. For a period of eighty (80) days after this order becomes final, FPL will process all incentive certificates received for installations of HRU units which predate the twentieth day following the date this order becomes final. Any incentive certificates received after the eighty day period following discontinuance of the Program will not be processed.

As stated above, the decrease in actual demand and energy savings, and the reduced number of participants now used in the RIM analysis has reduced the benefits and increased the costs associated with the RHRWH Program. These factors are the reasons why the RHRWH Program is no longer beneficial to FPL's general body of ratepayers. We therefore approve FPL's request to terminate its RHRWH Program in the manner set forth herein and the deleting the Program from the Company's DSM plan.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power and Light Company's Petition to Terminate its Residential Heat Recovery Water Heating Program in the manner set forth herein is hereby granted. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that in the event this Order becomes final, this Docket shall be closed.

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By ORDER of the Florida Public Service Commission this 27th  
day of October, 1997.

  
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BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )

LJP

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 17, 1997.

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In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party substantially affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.