

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Florida Power
& Light Company for approval of
Commercial/Industrial Building
Envelope Program.

DOCKET NO. 970544-EG
ORDER NO. PSC-97-1482-FOF-EG
ISSUED: November 24, 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 FOR COMMERCIAL/INDUSTRIAL BUILDING
ENVELOPE 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.

In November 1995, the Commission approved Florida Power & Light's (FPL) Commercial/Industrial (C/I) Building Envelope program as part of FPL's Demand Side Management (DSM) plan in Order Numbers PSC-95-1343-S-EG, and PSC-95-1343A-S-EG. The C/I Building Envelope program is designed to reduce FPL's summer and winter coincident peak demand and energy attributable to C/I heating, ventilating, and air conditioning (HVAC) loads. This program provides incentives for the installation of roof and ceiling insulation, and window treatments in existing commercial and industrial buildings. Window treatments include solar film, solar screens, awnings, and shutters.

DOCUMENT NUMBER-DATE

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FPS-REG-REG-REG-REG-REG

In staff's first set of interrogatories in Docket No. 960002-EG, FPL was asked to evaluate each of its approved DSM programs using the company's most recent planning assumptions. The results showed that the C/I Building Envelope 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. As a result of its analysis, on May 6, 1997, FPL filed a petition to modify its C/I Building Envelope.

We grant FPL's petition for approval of its Commercial/Industrial Building Envelope program, including cost recovery through the Energy Conservation Cost Recovery Clause. Because the C/I Building Envelope program is marginally cost-effective, however, FPL should reassess the cost-effectiveness of the program and report, in its true-up filing in Docket No. 980002-EG in November 1998, the resulting cost-effectiveness ratios using the most current assumptions at the time the analysis is performed. FPL should also report to staff the results of its planned 1998 evaluation of the C/I Building Envelope program.

FPL proposes to modify the C/I Building Envelope program by reducing the incentives from a capped average of \$483 per summer kW reduced to a range not to exceed \$155 to \$288 per summer kW reduced, depending upon the technology. Specifically, roof/ceiling insulation will be capped at an average of \$288 per summer kW reduced, and window treatments will be capped at an average of \$155 per summer kW reduced.

FPL provided, in November 1996, the cost-effectiveness results of its programs, in response to a staff interrogatory in the Energy Conservation Cost Recovery (ECCR) docket (960002-EG). This response showed many of FPL's programs not to be cost-effective. FPL stated that it would reanalyze all of its programs and may modify those programs that are not cost-effective. FPL filed for modification of seven programs, and termination of two in May 1997.

FPL's C/I customers have much more diverse electricity usage characteristics, as a group, than residential customers. A number of factors contribute to this effect including different business types, operating hours, level of usage (kW), time of usage, and duration of usage. There is more risk, therefore, in utilizing average demand and energy savings for C/I programs because of this

effect. FPL now plans to turn more of its attention to the evaluation of C/I programs as shown in its evaluation plans for 1997-1999. For the C/I Building Envelope program, FPL intends to meter 50 sites in 1998 to record the energy usage of HVAC equipment of participating customers during every hour of the day. These efforts, along with surveys of program participants in 1998, will assist FPL in verifying the projected savings of the program. FPL also plans to survey participants and non-participants to assess the effectiveness of program design and implementation. FPL should report to staff the results of its planned 1998 evaluation efforts for the C/I Building Envelope program.

Because the program as modified is marginally cost-effective under RIM (1.03), the program is susceptible to becoming not cost-effective if avoided costs drop slightly, or if assumed demand and energy savings are less than projected. Because of the risk to FPL's ratepayers of a marginally cost-effective program, we require that FPL should reassess the cost-effectiveness of the program, and file the cost-effectiveness ratios with its true-up filing in Docket No. 980002-EG. The filing date will be in November 1998, a specific date will be set when the docket is opened. The reassessment should include the most current assumptions at the time the analysis is performed.

A reduction in avoided cost appears to be the primary reason for the decline in cost-effectiveness of FPL's programs. As modified the C/I Building Envelope program meets Commission requirements for cost-effectiveness. Marginally cost-effective programs, however, are more vulnerable to declining avoided cost, and overstated demand and energy savings assumptions. This puts ratepayers at greater risk of subsidizing participants without receiving the capacity deferral benefit of cost-effective programs. FPL should monitor and evaluate the C/I Building Envelope program as planned to insure continued cost-effectiveness.

We also require Florida Power & Light Company to file program participation standards within 30 days of the issuance of the order in this docket. These standards will be administratively approved if they conform to the description of the program contained in FPL's petition. FPL's program standards should clearly state the Company's requirements for participation in the program, customer eligibility requirements, details on how rebates or incentives will be processed, technical specifications on equipment eligibility, and necessary reporting requirements.

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Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that FPL reassess the cost-effectiveness of the program, and file the cost-effectiveness ratios with its true-up filing in Docket No. 980002-EG. The filing date will be in November 1998, a specific date will be set when the docket is opened. FPL will also report to staff the results of its planned 1998 evaluation of the C/I Building Envelope program. It is further

ORDERED that Florida Power & Light Company file program participation standards within 30 days of the issuance of the order in this docket. These standards will be administratively approved if they conform to the description of the program contained in FPL's petition. 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.

By ORDER of the Florida Public Service Commission this 24th day of November, 1997.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

GAJ

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 December 15, 1997.

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,

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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.