FLORIDA PUBLIC SERVICE COMMISSION
Capital Circle Office Center • 2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

MEMORANDUM

December 26, 1996

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF ELECTRIC & GAS (HAFF) MHH TJB RGB for BC
DIVISION OF LEGAL SERVICES (CULPEPPER) RVE for JDJ

RE: DOCKET NO. 960897-EI, PETITION FOR APPROVAL OF A NEW DEMAND-SIDE MANAGEMENT PROGRAM, THE COMMERCIAL MAIL-IN ENERGY AUDIT PROGRAM, BY GULF POWER COMPANY

AGENDA: 1/7/97 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: I:\PSC\EAG\WP\960897.RCM

CASE BACKGROUND

The Florida Energy Efficiency and Conservation Act (FEECA), Sections 366.80 - 366.85, Florida Statutes, requires the Commission to adopt goals to reduce and control the growth rates of electric consumption and weather-sensitive peak demand. In Docket No. 930551-EG, the Commission set numeric demand-side management (DSM) goals for Gulf Power Company (Gulf). Gulf's DSM Plan, designed to meet these goals, was approved by the Commission in Docket No. 941172-EG. One of the programs included in Gulf's DSM Plan is a Commercial Energy Audit, a walk-through audit performed on-site.

In Docket No. 960171-EI, Gulf petitioned for Commission approval of the Business Edge program. The purpose of this program was twofold: (1) to allow Gulf to collect energy usage data in order to make energy conservation recommendations; and (2) to allow Gulf to gather demographic data from program participants to provide marketing and environmental information to small businesses. On May 9, 1996, staff recommended against Commission

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approval of this program because it contained elements not pertaining to conservation and, thus, not appropriate for cost recovery through the Energy Conservation Cost Recovery (ECCR) Clause. Gulf withdrew its petition for approval of the Business Edge program on May 20, 1996, prior to a Commission vote.

In place of the Business Edge program, Gulf filed a petition for approval of a Commercial Mail-In Energy Audit program, on August 7, 1996. This program will enable Gulf to solicit information on energy practices and business operations through a mail-in survey. The survey is expected to include questions on energy-consuming equipment and appliances, square footage of facilities, and hours of operation. Gulf anticipates that commercial customer response to the mail-in audit will be greater than current response to the existing Commercial Energy Audit. While the mail-in audit will be available to all commercial customers, Gulf initially plans to target customers with billing demands of 150 kW or less, because these customers are less likely to request a walk-through audit.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve Gulf Power Company's Commercial Mail-In Energy Audit program, including approval for conservation cost recovery?

RECOMMENDATION: Yes, with the caveat that Gulf allocate and recover the costs of this program from the commercial customer class. Gulf has agreed with this treatment.

STAFF ANALYSIS: Staff has two major concerns with Gulf's proposed Commercial Mail-in Energy Audit program. First, the program is marginally cost-effective -- Gulf's proposed program barely passes the Rate Impact Measure (RIM) test, with a 1.05 benefit-cost ratio. Second, staff believes the use of DSM programs as a competitive tool was not intended by FEECA or the Commission. While this has not been an apparent problem with Gulf's DSM programs in recent years, approval of Gulf's proposed Commercial

In its DSM Plan filing (Docket No. 911142-EI), Gulf stated that the costs for all its DSM programs should be recovered only from eligible participating rate classes. Staff recognizes that direct allocation has certain advantages, particularly with DSM programs that are marginally cost-effective such as Gulf's proposed program. DSM programs that marginally pass the RIM test provide no room for error in estimating demand savings or avoided generation costs. If DSM program costs are allocated to the customer class eligible to participate in the program, the company has less flexibility to use DSM for competitive purposes. Directly allocating commercial and industrial program costs to those customers tends to raise rates to the customer class that likely has viable economic alternatives to utility-supplied electricity.

Gulf has agreed to allocate and recover the costs of the Commercial Mail-in Energy Audit from the commercial class. Therefore, staff recommends that this program be approved for cost recovery.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If no person whose substantial interests are affected by the Commission's proposed agency action, files a protest within twenty-one days of issuance of this order, this docket should be closed.

STAFF ANALYSIS: If no person whose substantial interests are affected, files a request for a Section 120.57, Florida Statutes, hearing within twenty-one days of issuance of this order, no further action will be required and this docket should be closed.

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M E M O R A N D U M

January 7, 1997

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF ELECTRIC & GAS (HAFF) MSH DB RJ JDJ

RE: RECOMMENDATION FOR ITEM #5 (DOCKET NO. 960897-EI) AT THE JANUARY 8, 1997 AGENDA CONFERENCE

It has come to our attention that, for unknown reasons, the above-mentioned recommendation is missing four (4) lines of the staff's analysis at the top of page 3. This omission occurs only on the printed version of the recommendation, not in the copy contained in the Case Management system.

Attached is a revised copy of page 3, in which I have highlighted the missing lines.

MSH
Attachment

cc: Commissioners
William D. Talbott
Mary Bane

Mail-in Energy Audit program may result in some ECCR dollars being used to target specific at-risk commercial customers.

Gulf has agreed to allocate this program's costs to the class of customers who is eligible to participate, the commercial class. In its DSM Plan filing (Docket No. 911142-EI), Gulf stated that the costs for all its DSM programs should be recovered only from eligible participating rate classes. Staff recognizes that direct allocation has certain advantages, particularly with DSM programs that are marginally cost-effective such as Gulf's proposed program. DSM programs that marginally pass the RIM test provide no room for error in estimating demand savings or avoided generation costs. If DSM program costs are allocated to the customer class eligible to participate in the program, the company has less flexibility to use DSM for competitive purposes. Directly allocating commercial and industrial program costs to those customers tends to raise rates to the customer class that likely has viable economic alternatives to utility-supplied electricity.

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