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OFFICE OF GENERAL COUNSEL
Orlando Utilities Commission

W. Christopher Browder
Vice President & General Counsel

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BY:

Wayne A. Morris
Zoila P. Easterling
Carlos L. Woody
Terrie L. Tressler

Kathleen Plajstek
Paralegal

July 27, 2009

VIA HAND DELIVERY

Ms. Ann Cole, Director
Office of Commission Clerk
Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Orlando Utilities Commission's Pre-Hearing Statement
Docket No. 080412-EG

Dear Ms. Cole:

Enclosed for filing in the above-referenced docket on behalf of the Orlando Utilities Commission (OUC) is an original and seven copies of OUC's Pre-Hearing Statement.

Please acknowledge receipt of said filing of the above.

Thank you for your assistance in connection with this matter.

Sincerely yours,

W. Christopher Browder
Vice President & General Counsel

WCB:pan
Enclosures

COM _____
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GCL 2
OPC _____
RCP _____
SSC _____
SGA _____
ADM _____
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ORLANDO UTILITIES COMMISSION Office of General Counsel

Reliable Plaza at 100 West Anderson St | P O Box 3193 | Orlando, FL 32802 | 407.423.9100 Tel | 407.236.9639 Fax | www.ouc.com

DOCUMENT NUMBER-DATE
07653 JUL 27 09
FPSC-COMMISSION CLERK

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In re: Commission review of numeric)
Conservation goals (Orlando Utilities)
Commission))

Docket No. 080412-EG

Filed: July 27, 2009

ORLANDO UTILITIES COMMISSION'S PRE-HEARING STATEMENT

COMES NOW, the Orlando Utilities Commission, ("OUC"), by and through its undersigned counsel, and pursuant to Order Numbers PSC-08-0816-PCO-EG and PSC-09-0152-PCO-EG, files this Pre-Hearing Statement:

A. APPEARANCES

Roy Young, Esq.
W. Christopher Browder, Esq.

B. ALL KNOWN WITNESSES

In identifying witnesses, OUC reserves the right to call other such witnesses as may be identified in the course of discovery and preparation for final hearing in this matter, including any witnesses necessary for authentication, impeachment, and rebuttal. OUC reserves the right to cross examine any witness offered by any party that presents testimony on issues impacting OUC's interests. OUC anticipates filing rebuttal testimony by direct witnesses on or before the deadline for doing so under the docket schedule.

Witness

Subject Matter

Randall E. Halley (OUC)

OUC's unique customer base and demographics, OUC's historical and ongoing commitment to conservation and DSM, OUC's overall process to develop DSM goals, OUC's approach to conservation and DSM, explanation of OUC's DSM goals, and areas that the PSC staff has expressed interest in investigating.

Bradley E. Kushner (Black & Veatch)

Methodology used to develop avoided capacity costs provided to Itron for use in their analysis of DSM measures for OUC and fuel forecasts used by OUC in their production cost that was used as the basis for avoided energy costs provided to Itron for use in their analyses of DSM measures for OUC.

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C. EXHIBITS

In identifying exhibits, OUC reserves the right to use such other exhibits as may be identified in the course of discovery and preparation for final hearing in this matter, including any exhibits necessary for authentication, impeachment, and rebuttal.

<u>Exhibit</u>	<u>Witness</u>	<u>Description</u>
Exhibit No. __ (RH-1)	Randy Halley	Randall E. Halley Resume
Exhibit No. __ (RH-2)	Randy Halley	OUC DSM, Conservation, and Renewable Energy Programs and Activities
Exhibit No. __ (RH-3)	Randy Halley	Estimated Cumulative Annual Bill for 2010 through 2019 Residential Customers – DSM Measures Passing Both TRC and Participant Tests
Exhibit No. __ (BEK-1)	Bradley Kushner	Bradley E. Kushner Resume
Exhibit No. __ (BEK-2)	Bradley Kushner	CO ₂ Emissions Allowance Price

D. BASIC POSITION

Pursuant to Sections 366.80 through 366.85, Florida Statutes, and Rule 25-17.0021 FAC, OUC proposes the Residential and Commercial Conservation Goals presented in issues No. 8 and 9. After extensive evaluation, in the previous Conservation Goals Docket No.040035-EG, the Commission approved zero goals for OUC based on the RIM test in Order No. PSC-04-0767-PPA-EG. Nevertheless, OUC as a municipal utility whose sole purpose is to provide reliable electric service at the least possible cost consistent with environmental stewardship in the overall best interests of their customers proposed to continue to provide conservation programs that OUC deemed met these requirements and were in the overall best interest of their customers. The Commission approved OUC's Conservation Programs in Order No. PSC-04-0767-PPA-EG. OUC continues to update and offer these programs in response to their customer's changing needs.

In this Docket, OUC joined in a collaborative which retained Itron, one of the leading DSM and conservation firms in the world to conduct an even more robust evaluation of the technical, economical, and achievable potential of DSM and conservation measures in accordance with Sections 366.80 through 366.89 FS and Rule 25-17.0021 FAC for the determination of OUC's Conservation Goals. This significantly more robust collaborative effort which included input from SACE and NRDC also concluded that there were no cost-effective DSM and conservation measures for OUC under the RIM test.

OUC's unique customer mix with high levels of customers that work in the service industry that live in rented apartments with low incomes makes the cost of services to its customers an ongoing concern for OUC. The economic condition of these customers has been further exacerbated by the current economic crisis. Since these customers do not have the resources to

take advantage of conservation programs and in many cases are prohibited from participating as renters, it is especially important for OUC to utilize a test that holds this customer sector harmless. The economic down turn has significantly reduced OUC's loads and placed upward pressure on rates. To add significant conservation programs at this time that further put upward pressure on rates would not be in the best interest of OUC's customers. Furthermore, since the Commission does not have jurisdiction as a municipal utility over OUC's rates, it is OUC's belief that the Commission is prohibited from establishing numeric goals based on a test other than the RIM test to OUC. Therefore, OUC respectfully requests that the Commission approve OUC's proposed conservation goal of zero.

E. STATEMENT OF ISSUES AND POSITIONS:

ISSUE 1: Did the Company provide 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.?

OUC POSITION: Yes. The technical potential study performed by Itron, as described in the testimony of Mike Rufo, provided an adequate assessment of the full technical potential of available demand-side and supply-side conservation and efficiency measures, including demand-side renewable energy systems. The scope of the study, the measures to be analyzed, and the assessment techniques were fully vetted through the Collaborative process which included input from all of the FEECA-regulated utilities and other interested parties including SACE and NRDC. Drawing upon their recognized expertise, Itron utilized its state-of-the-art models to comprehensively analyze the full technical potential of energy efficiency, demand response, and demand-side renewable energy technologies. (Rufo, Halley)

ISSUE 2: Did the Company provide an adequate assessment of the achievable potential of all available demand-side and supply-side conservation and efficiency measures, including demand-side renewable energy systems?

OUC POSITION: Yes. The achievable potential study performed by Itron, as described in the testimony of Mike Rufo, provided an adequate assessment of the achievable potential of available demand-side conservation and efficiency measures, including demand-side renewable energy systems. Drawing upon their recognized expertise, Itron utilized its state-of-the-art models to comprehensively analyze the achievable potential of energy efficiency, demand response, and demand-side renewable energy technologies. (Rufo, Halley)

ISSUE 3: 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?

OUC POSITION: Yes. OUC's proposed goals are based on achievable potential developed based on Itron's cost-effectiveness evaluation, which included consideration of the costs and benefits to customers participating in the measures through use of the Participant test. (Rufo, Halley)

ISSUE 4: Do the Company's proposed goals adequately reflect the costs and benefits to the general body of ratepayers as a whole, including utility incentives and participant contributions, pursuant to Section 366.82(3)(b), F.S.?

OUC POSITION: Yes. OUC's proposed goals are based on achievable potential developed based on Itron's cost-effectiveness evaluation, which 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 Ratepayer Impact Measure (RIM) and Participant tests. (Rufo, Halley)

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?

OUC POSITION: Greenhouse gases are not currently regulated at either the State or Federal level, and there currently are no costs imposed on the emissions of greenhouse gases. While there is much speculation on the potential for greenhouse gas emissions regulation, OUC does not believe it is appropriate to establish DSM goals that would increase customer rates based on speculation related to yet-to-be defined potential regulations of emissions of greenhouse gases. However, for informational purposes, Itron performed additional analyses related to several different combinations of fuel and carbon dioxide (CO₂) emissions allowance prices. Using three different CO₂ emissions allowance price projections of approximately \$15/ton, \$34/ton, and \$89/ton, on a levelized basis, no DSM measures were shown to pass the RIM cost-effectiveness test. (Rufo, Halley)

ISSUE 6: Should the Commission establish incentives to promote both customer-owned and utility-owned energy efficiency and demand-side renewable energy systems?

OUC POSITION: No. Incentives to utilities involving rate of return are not relevant to municipal utilities. As part of this Docket, we have comprehensively analyzed customer-owned energy efficiency and demand-side measures and none were found to be cost-effective. Utility-owned energy efficiency and renewable energy systems are supply-side issues. (Halley)

ISSUE 7: What cost-effectiveness test or tests should the Commission use to set goals, pursuant to Section 366.82, F.S.?

OUC POSITION: The Commission should use both the RIM test and Participants test to set goals. When used in conjunction with each other, these tests fulfill the Commission's obligation to consider the costs and benefits to the general body of ratepayers as a whole, including utility incentives and participant contributions. The Commission's use of the RIM test to ensure no impact to customers' rates is particularly appropriate for municipal utilities, such as OUC, over which the Commission does not have ratemaking authority. (Halley)

ISSUE 8: What residential summer and winter megawatt (MW) and annual Gigawatt-hour (GWh) goals should be established for the period 2010-2019?

PROPOSED RESIDENTIAL CONSERVATION GOALS										
Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Summer MW										
Winter MW										
Annual GWh										

OUC POSITION:

(Halley)

PROPOSED RESIDENTIAL CONSERVATION GOALS										
Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Summer MW	0	0	0	0	0	0	0	0	0	0
Winter MW	0	0	0	0	0	0	0	0	0	0
Annual GWh	0	0	0	0	0	0	0	0	0	0

ISSUE 9: What commercial/industrial summer and winter megawatt (MW) and annual Gigawatt hour (GWh) goals should be established for the period 2010-2019?

PROPOSED COMMERCIAL CONSERVATION GOALS										
Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Summer MW										
Winter MW										
Annual GWh										

OUC POSITION:

(Halley)

PROPOSED COMMERCIAL CONSERVATION GOALS										
Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Summer MW	0	0	0	0	0	0	0	0	0	0
Winter MW	0	0	0	0	0	0	0	0	0	0
Annual GWh	0	0	0	0	0	0	0	0	0	0

ISSUE 10: In addition to the MW and GWh goals established in Issues 8 and 9, should the Commission establish separate goals for demand-side renewable energy systems?

OUC POSITION: No. The Commission should not establish separate goals for demand-side renewable energy systems. All goals should be established to promote cost-effective DSM without bias toward any particular technology. Furthermore, if demand-side renewable energy systems are cost-effective, utilities should have the flexibility to include such systems either as part of their renewable portfolio or as part of their DSM goals. (Halley)

ISSUE 11: In addition to the MW and GWh goals established in Issues 8 and 9, should the Commission establish additional goals for efficiency improvements in generation, transmission, and distribution?

OUC POSITION: No. OUC believes that efficiency improvements in generation, transmission, and distribution are supply-side issues. (Halley)

ISSUE 12: In addition to the MW and GWh goals established in Issues 8 and 9, should the Commission establish separate goals for residential and commercial/industrial customer participation in utility energy audit programs for the period 2010-2019?

OUC POSITION: No. The Commission should not establish separate goals for residential and commercial/industrial customer participation in utility energy audit programs. Utility energy audits are performed as a result of customer interest in such audits, and the utility cannot dictate that customers have interest in receiving energy audits. Utilities should be allowed the flexibility to integrate energy audits into conservation programs as appropriate. (Halley)

ISSUE 13: Should this docket be closed?

OUC POSITION: Yes this docket should be closed.

ISSUE 14: What action(s), if any, should the Commission take in this proceeding to encourage the efficient use of cogeneration?

OUC POSITION: OUC currently has no position on this Issue.

ISSUE 15: In setting goals, what consideration should the Commission give to the impact on rates?

OUC POSITION: The Commission should use consideration of the impact on rates as its primary determinant in setting goals. For municipal utilities over which the Commission has no ratemaking authority, the Commission should re

ject DSM measures that fail the RIM test. (Halley)

ISSUE 16: Since the Commission has no rate-setting authority over OUC and JEA, can the Commission establish goals that puts upward pressure on their rates?

OUC POSITION: No. For municipal utilities over which the Commission has no ratemaking authority, the Commission should reject DSM measures that put upward pressure on rates. (Halley)

F. STIPULATED ISSUES

None.

G. PENDING MOTIONS

OUC currently has no pending motions.

H. PENDING REQUESTS OR CLAIMS FOR CONFIDENTIALITY

OUC has no pending requests or claims for confidentiality.

I. OBJECTIONS TO QUALIFICATIONS OF WITNESSES AS AN EXPERT

OUC does not anticipate challenging the qualification of any witness in this proceeding at this time.

J. STATEMENT OF COMPLIANCE WITH ORDERS ESTABLISHING PROCEDURE

There are no requirements of the Orders Establishing Procedures with which OUC cannot comply.

Respectfully submitted,



W. CHRISTOPHER BROWDER
Office of General Counsel
Orlando Utilities Commission
100 W. Anderson Street
Orlando, FL 32802
(407) 236-9698

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been provided by U.S. Mail and E-mail, this 27th day of July, 2009 to the following persons:

<p>Katherine Fleming, Esq. Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, Florida 32399-0850 keflemin@psc.state.fl.us</p>	<p>Erik L. Sayler, Esq. Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, Florida 32399-0850 esayler@psc.state.fl.us</p>
<p>Roy C. Young, Esq. Tasha O. Buford, Esq. Young vanAssenderp, P.A. 225 South Adams Street, Suite 200 Tallahassee, FL 32301 ryoung@yvlaw.net</p>	<p>J.R. Kelly, Esq. Stephen Burgess, Esq. Office of Public Counsel 111 West Madison Street, room 812 Tallahassee, Florida 32399-1400 burgess.steve@leg.state.fl.us</p>
<p>Wade Litchfield, Esq. Florida Power & Light Co. 215 South Monroe Street, Suite 810 Tallahassee, Florida 32301 wade_litchfield@fpl.com</p>	<p>Paul Lewis, Jr. Progress Energy Florida, Inc. 106 East College Avenue, Suite 800 Tallahassee, Fla. 32301-7740 paul.lewisjr@pgnmail.com</p>
<p>John T. Burnett, Esq. Progress Energy Service Company, LLC P.O. Box 14042 St. Petersburg, Fla. 33733-4042 john.burnett@pgnmail.com</p>	<p>Paula K. Brown TECO Regulatory Affairs P.O. Box 111 Tampa, Florida 33601-0111 Regdept@tecoenergy.com</p>
<p>Susan D. Ritenour Gulf Power Company One Energy Place Pensacola, Fla. 32520-0780 sdriteno@southernco.com</p>	<p>John T. English Florida Public Utilities Co. P.O. Box 3395 West Palm Beach, Fla. 33402-3395 jenglish@fpuc.com</p>
<p>Norman H. Horton, Jr. Esq. Messer, Caparello & Self, PA P.O. Box 15579 Tallahassee, Fla. 32317 nhorton@lawfla.com</p>	<p>Susan F. Clark, Esq. Radey, Thomas, Yon & Clark, PA 301 South Bronough Street, Suite 200 Tallahassee, Florida 32301 sclark@radeylaw.com</p>

<p>Steven R. Griffin, Esq. Beggs & Lane Law Firm 501 Commendancia Street Pensacola, Fla. 32502 srg@beggslane.com</p>	<p>James D. Beasley, Esq. Lee L. Willis, Esq. Ausley Law Firm P.O. Box 391 Tallahassee, Florida 32302 jbeasley@ausley.com</p>
<p>Suzanne Brownless, Esq. Suzanne Brownless, P.A. 1975 Buford Blvd. Tallahassee, FL 32309 suzannebrownless@comcast.net</p>	<p>Teala A. Milton V.P., Government Relations 21 West Church Street, Tower 16 Jacksonville, Florida 32202-3158 militta@jea.com</p>
<p>Jeff Curry Lakeland Electric Utility Company 501 East Lemon Street Lakeland, Florida 33801 jeff.curry@lakelandelectric.com</p>	<p>E. Leon Jacobs, Jr. Williams & Jacobs, LLC 1720 S. Gadsden St., MS 14 Suite 201 Tallahassee, Florida 32301 Ljacobs50@comcast.net</p>
<p>Jeremy Susac Florida Energy and Climate Commission c/o Governor's Energy Office 600 South Calhoun Street, Suite 251 Tallahassee, Florida 32399-0001 Jeremy.susac@EOG.myflorida.com</p>	<p>Bob Krasowski 1086 Michigan Avenue Naples, FL 34103 MInimushomines@aol.com</p>
<p>Richard F. Spelman, President GDS Associates, Inc. 1850 Parkway Place, Suite 800 Marietta, GA 30067</p>	<p>Michael Ting Principal Consultant Itron, Inc. Consulting and Analysis Services 1111 Broadway, Suite 1800 Oakland, CA 94607 Michael.Ting@itron.com</p>
<p>John W. McWhirter, Jr. P.O. Box 3350 Tampa, Florida 33601-3350 jmwhirter@mac-law.com</p>	<p>Jon C. Moyle, Jr. Vicki Gordon Kaufman Keefe Anchors Gordon & Moyle, PA 118 North Gadsden Street Tallahassee, Florida 32301 vkaufman@kagmlaw.com jmoyle@kagmlaw.com</p>

Charles A. Guyton
Squire, Sanders & Dempsey, LLP
215 South Monroe Street
Suite 601
Tallahassee, FL 32301
cguyton@ssd.com

Jessica A. Cano
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408
Jessica.cano@fpl.com

By:



W. CHRISTOPHER BROWDER