Gulf Power®

September 20, 2019

Mr. Adam Teitzman, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 20190016-EG

Dear Mr. Teitzman:

Attached is Gulf Power Company's Post-Hearing Brief and Statement of Issues and Positions to be filed in the above-referenced docket. Pursuant to the Order Establishing Procedure, a copy of this Post-Hearing Brief prepared using Microsoft Word is being provided to Commission staff and parties.

Sincerely,

C. Shane Boyett

C. Shane Boyett
Regulatory, Forecasting and Pricing Manager

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Attachments

cc: Gulf Power Company
Russell Badders, Esq., VP & Associate General Counsel
Beggs & Lane

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Commission review of numeric conservation goals (Gulf Power Company)	Docket No.:	20190016-EG
	Filed:	September 20, 2019

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POST-HEARING BRIEF AND STATEMENT OF ISSUES AND POSITIONS OF GULF POWER COMPANY

Gulf Power Company, ("Gulf Power," "Gulf," or "the Company"), by and through its undersigned attorneys, files the following as its post-hearing brief and post-hearing Statement of Issues and Positions in this proceeding pursuant to Order No. PSC-2019-0323-PHO-EG and Rule 28-106.215, Florida Administrative Code ("F.A.C.").

OVERVIEW AND DISCUSSION

Gulf Power's proposed demand-side management ("DSM") goals represent the total cost-effective winter and summer peak megawatt ("MW") demand reductions and annual gigawatt hour ("GWh") savings which are reasonably achievable in Gulf Power's service area for the period 2020 through 2029. [Tr. 430] The Company's proposed goals adhere strictly to the requirements of the Florida Energy Efficiency and Conservation Act ("FEECA"), the Commission's rules, and are the product of a thorough and deliberative process. [Tr. 449-455, 457]

Gulf's proposed goals are lower than its current goals. [Tr. 431] This does not mean that the objectives of FEECA are not being satisfied. [Tr. 432] To the contrary, the level of Gulf's proposed goals is entirely appropriate for a number of reasons. As explained by Gulf witness Floyd, Gulf Power's overall avoided costs have decreased since the previous goals proceeding. [Tr. 431] The avoided cost decreases include decreases in projected fuel costs, as well as costs associated with transmission and distribution facilities. [Id.] Although lower avoided costs are beneficial to all customers, such cost reductions also translate directly to less cost-effective DSM

that is available for capture through utility-sponsored DSM programs. [Tr. 431] The magnitude of Gulf's proposed goals is also a function of newer, more efficient, building codes and appliance efficiency standards. [Tr. 432-433] These codes and standards dramatically reduce the potential energy savings that Gulf and other utilities can achieve through DSM programs. [Id.] Through 2028, the effects of appliance efficiency standards alone are projected to reduce Gulf's expected energy sales in the residential and commercial sectors by 892 GWh below what they would have been absent such standards. [Tr. 433] Nationally, the collective impact of building codes and appliance efficiency standards is projected to reduce energy consumption in the residential, commercial and industrial sectors by 8.6 percent by 2025, as compared to projected baseline electricity consumption. [Id.] Although the amount of energy efficiency available for capture through utility-sponsored DSM continues to decline, customers are continuing to receive the benefits of reduced energy consumption through improved codes, standards, and natural market forces. [Tr. 432] Finally, Gulf's proposed goals are based primarily on the achievable potential of measures passing the Rate Impact Measure ("RIM") test which mitigates upward rate pressure for all customers and avoids cross-subsidies between participating and non-participating customers. [Tr. 430, 441] The objective of this proceeding is not to establish goals based on comparisons to other states or on how much DSM is theoretically achievable, but instead, to determine how much DSM is cost-effective for Gulf's customers as a whole. Gulf's proposed goals achieve this objective.

The starting point in establishing DSM goals is to determine the technical potential for DSM savings in a utility's service area. [Tr. 325, 437] In order to ensure the consistency, objectivity and integrity of the process used to develop the technical potential underlying Gulf's proposed goals, Gulf and the other FEECA utilities retained the services of Nexant, Inc.

("Nexant"), a globally-recognized industry expert. [Tr. 319, 435-436] Nexant completed technical potential studies for each of the FEECA utilities and assisted in the development of economic and achievable potential for a subset of the FEECA utilities, including Gulf Power. [Tr. 320-321] As explained in detail by Nexant witness Herndon, the extremely rigorous technical potential study developed by Nexant was the product of a time-tested methodology which included all relevant and verifiable end-use baseline and measure cost/savings data. [Tr. 323-333]

After developing the technical potential, Gulf Power and Nexant performed additional analyses to develop Gulf's economic potential, and ultimately its achievable potential, which formed the primary basis for the Company's proposed DSM goals. [Tr. 437, 442-448] These analyses conformed in all respects to FEECA and the Commission's goal-setting rule, 25-17.0021, F.A.C. [Tr. 457] Gulf Power's proposed goals were derived using the RIM and Participant's tests. [Tr. 457] Use of the RIM and Participant's tests will enable Gulf to achieve DSM savings in a way that places downward pressure on rates and that benefits Gulf Power's general body of customers as a whole --not just participants in DSM programs. [Tr. 441, 453] The same cannot be said of the Total Resource Cost ("TRC") test. Although the measures comprising Gulf's proposed goals do pass both the RIM and TRC tests, relying solely on the TRC test for goal setting purposes will result in upward rate pressure for all customers and cross-subsidization of DSM program participants by non-participants, including many low-income customers. [Tr. 442, 1284, 1287-1288]

Compare the FEECA utilities' rigorous analyses to the haphazard approaches advocated by the Southern Alliance for Clean Energy ("SACE") in this proceeding. The SACE witnesses did not perform any state or utility-specific studies or analysis. [Tr. 1072] Instead, they offered

generalized, misplaced and misleading criticisms of the Commission's goal setting policies and the FEECA utilities' analyses. They employed a back-of-the-envelope arbitrary approach to proposing goals. [Tr. 1278] They did not base their proposed goals on any analysis of what would be cost-effective or reasonably achievable in Florida, but instead relied on the bare assumption that because two purportedly "leading" utilities in North Carolina and Arkansas aspire to save approximately 1.5 percent of electricity sales each year, then a similar energy reduction goal must necessarily be appropriate for Florida. [Tr. 1071, 1278] SACE did not even propose summer or winter demand reduction goals, which is itself a fatal flaw. [Tr. 1071-1072, 1278]

This wildly simplistic and arbitrary approach fundamentally fails to meet the requirements of section 366.82, Florida Statutes and Rule 25-17.0021, Florida Administrative Code. [1277-1278] Section 366.82(3) requires evaluation of the full technical potential of available energy efficiency and demand-side renewable measures and consideration of four specific criteria in establishing goals. [Id.] Rule 25-17.0021(1), in turn, requires that goals be "based on an estimate of total cost-effective kilowatt and kilowatt-hour savings reasonably achievable through demand-side management in each utility's service area." [Id.] This rule also requires consideration of building codes which are specific to Florida, free riders and specific market segments and end-use categories. [Id.] SACE's proposed goals are not based on the criteria set forth in the statute or rule, but rather on an arbitrary percentage of sales. [Id.] This superficial approach to goal setting is wholly disconnected from any of the FEECA requirements and ignores many critical factors that differ between states including climates, regulatory frameworks, utility rates, building codes, utility planning processes and historical DSM achievements. [Tr. 1072, 1078] SACE also ignores the fact that the Commission resoundingly

rejected similar percentage of sales proposals advanced by SACE and the Sierra Club in the 2014 goals proceedings. See Order No. PSC-14-0696-EU at p. 36 (finding that SACE and Sierra Club goal proposals were not compliant with Commission rules, not based on any cost-effectiveness test, and unsupported by competent and substantial evidence). The same lack of competent and substantial evidence is likewise an insurmountable flaw in the SACE recommendations in this proceeding. [Tr. 1077]

Tellingly, SACE did not offer any quantification of the substantial cost impacts to Gulf Power's customers if their proposals were adopted, nor did they offer any analysis suggesting that approaches adopted by other jurisdictions would be workable or appropriate for a state like Florida. SACE's proposed ten-year energy goal for Gulf Power is over 1,200 GWh higher than the Company's current ten-year goal. [Tr. 1279] The average annual goal proposed by SACE is almost double Gulf's current ten-year goal. [Id.] This proposal represents an increase of over 1,400 percent. [Id.] Proration of actual expenditures during Gulf's highest DSM achievement years would suggest a cost at least in the range of $450 million over the 2020-2029 period in order to achieve such energy reductions. [Id.] These costs are staggering and serve to further underscore SACE's indifference to the financial impacts that their misguided policy recommendations will have on utility customers throughout the State of Florida, including many low-income customers.

The FEECA utilities appropriately used a two-year payback criterion to screen for "free riders" --those customers who would implement efficiency measures in the absence of a utility incentive. [Tr. 444] Rule 25-17.0021(3), F.A.C. specifically requires that free riders be considered in setting goals. [Tr. 1063] The two-year payback criterion was initially adopted by the Commission as a means of addressing free riders in Order No. PSC-94-1313-FOF-EG and

has consistently been relied upon by the Commission in subsequent goal-setting proceedings. [Tr. 1063] Screening of measures having a customer payback of two years or less is an objective, reasonable and efficient means of addressing free-ridership. [Tr. 1290] SACE's proposals, in contrast, do not account for free-ridership in any way. [Tr. 1073, 1277-1278] Although SACE is quick to criticize the utilities' use of the two-year payback screen, they offer no meaningful alternatives or empirical evidence to justify a change in the Commission's twenty-five year policy. [Tr. 1067, 1070-1071] A proper recognition of free riders is necessary to establish appropriate goals. [Tr. 1068] If costs are incurred to incentivize customers to take action that they otherwise would, or should, have taken in their own economic interest, costs to the general body of customers are higher than they need to be to achieve the same level of overall conservation. [Id.]

With respect to demand-side renewables, no renewable measures passed the RIM or TRC cost-effectiveness tests. [Tr. 452] Consequently, it would not be appropriate to establish goals or other incentives for such measures. [Id.] As explained by Gulf witness Floyd, the Company's service area has experienced substantial growth of demand-side renewable installations in the absence of utility-sponsored DSM programs. Since 2008, over 1,200 residential and commercial renewable energy systems have been interconnected on Gulf's grid with a capacity over 7,500 kW. [Tr. 452-453] Moreover, demand-side renewables have experienced tremendous growth since the end of utility incentive programs in 2015. [Tr. 460, 510] This growth is likely attributable to a combination of factors, including the Commission's net-metering rule, reductions in solar system costs, and greater competition among solar providers in the Company's service area. [Tr. 510-511]

In performing its economic screenings, Gulf adhered strictly to the protocols prescribed by the Commission's DSM Manual, including application of the RIM and TRC tests. SACE voiced criticism over the methodology used to calculate administrative costs for a number of the FEECA utilities. In Gulf Power's case, the administrative cost assumptions were developed by Nexant based on its industry expertise and experience. [Tr. 1292] Nexant witness Herndon established that these cost assumptions were based on actual program performance data from the FEECA utilities and other regional and national utilities. [Tr. 1113-1114] Mr. Herndon further testified that the methodology used by Nexant to estimate administrative costs is a reasonable proxy at the technical potential phase of the analysis and is consistent with technical potential studies performed by Nexant for utilities in multiple other jurisdictions. [Tr. 358-359] SACE's suggestion that Nexant's methodology resulted in unreasonably high administrative costs which, in turn, resulted in fewer cost-effective measures is misplaced. The administrative cost assumptions utilized in this proceeding had a negligible impact on whether measures passed or failed the Company's economic screenings. [Tr. 487-488] More specifically, only two measures out of the approximately 442 measure permutations that were analyzed were eliminated as a result of administrative costs. [Tr. 530]

Lastly, with regard to low-income customers, the Company proposes to continue, and potentially expand, its low-income DSM offerings. [Tr. 1286] Since its inception in 2011, Gulf's low-income program has served over 21,000 customers representing over 15 percent of the eligible customer base. [Tr. 1285] Over the past five years, Gulf's existing low-income program has achieved average annual energy and demand savings of 2.16 GWh, 0.17 Summer MW, and 0.37 Winter MW, respectively. [Hearing Exhibit 131, Gulf Response to Staff Interrogatory No. 77] If the Commission is of the view that Gulf Power's goals proposal should

be enhanced to account for the impacts of the Company's future low-income offerings, the Company is supportive of the Commission incrementing the Company's residential goal proposal using average annual energy and demand savings associated with Gulf's current low-income offering. [Tr. 1297]

While the Company is in favor of continuation of an appropriately-structured low-income offering, Gulf Power does not support SACE's low-income goal proposal. [Tr. 1283] In addition to the fact that FEECA does not contemplate establishing separate goals for differing customer segments within the residential sector, SACE's proposal lacks the rigorous analyses required under FEECA and would result in exceptionally high goals (50 percent higher than Gulf's current goals for all customer classes), potentially astronomical costs, and unprecedented levels of cross-subsidization. [Tr. 1281-1282, 1284] These cross-subsidies would be borne by all of Gulf's customers, including many of the same low-income customers that SACE ostensibly seeks to protect. [Tr. 1284]

In summary, Gulf Power respectfully urges the Commission to reject SACE's superficial proposals which are based on specious logic and do not comport with Florida's laws or the Commission's rules and to approve the Company's proposed goals for the period 2020 through 2029. Gulf Power stands prepared to actively pursue and promote cost-effective energy and demand savings within its customer base and to do so in a manner that comports with utility-planning processes, avoids cross-subsidization and places downward pressure on rates for the Company's general body of customers as a whole. Unlike the fundamentally flawed approaches advanced by SACE, Gulf's approach is consistent with FEECA, the Commission's rules and years of reasoned and responsible Commission precedent.

DISCUSSION OF SPECIFIC ISSUES [1]

ISSUE 1: Are the Company's proposed goals based on 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.?

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SUMMARY: Yes. Through the robust and thorough Market Potential Study performed by Nexant, Inc., Gulf has performed an adequate assessment of the full technical potential of all available demand-side conservation and energy measures, including demand-side renewables. An assessment of supply-side conservation and efficiency measures is outside the scope of this docket.

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DISCUSSION:

Technical potential represents the amount of energy and demand savings that is technically feasible without regard to cost, customer acceptance, cost-effectiveness or other real-world constraints. [Tr. 325, 437] It does not reflect the energy and demand savings that are achievable through real-world voluntary utility DSM programs. [Id.] Technical potential forms the starting point for developing DSM goals. [Id.] In order to ensure the consistency, objectivity and integrity of the process used to develop the technical potential underlying Gulf's proposed goals, Gulf and the other FEECA utilities retained the services of Nexant, a globally-recognized industry expert. [Tr. 319, 435-436] Nexant has performed over twenty-five Market Potential Studies ("MPS") to identify opportunities for DSM in the United States and Canada. [Tr. 319] As explained by Nexant witness Herndon, the scope of work for the technical potential phase of the study included: (i) disaggregation of the utility load forecasts into their constituent customer-class and end-use components; (ii) development of a comprehensive set of DSM measures; (iii) quantification of the measures' energy and demand savings impacts; and (iv) quantification of

[1] The listing of issues and position summaries that follow in this section is also intended to serve as Gulf Power's post-hearing Statement of Issues and Positions required by Order No. PSC-2019-0323-PHO-EG.

potential energy and demand savings at the technology, end-use, customer class and system levels. [Tr. 320] Gulf's technical potential was based upon 278 unique end-use efficiency, demand response and demand-side renewable measures. [Tr. 324, 438] The measure selection process was robust, comprehensive and appropriate for the objectives of the study. [Tr. 324] The final measure list accounted for DSM measures that have been considered in prior Florida studies, current offerings by the FEECA utilities, and DSM measures considered in other MPS reports and other utility DSM offerings across the country. [Id.] It also accounted for current Florida Building Code and federal appliance efficiency standards. [Id.] The process employed by Nexant was consistent with other technical potential studies it has performed across the country. [Tr. 1108] With minor exceptions, SACE's witnesses did not take issue with the appropriateness of Gulf's technical potential study. And, the minor exceptions noted by SACE -- failure to consider early retirement measures [Tr. 955-962], assumed energy savings of residential heat pump water heaters [Tr. 964], length of measure lives, [Tr. 964] and calculation of line loss rates [Tr. 965] --were demonstrated in rebuttal testimony to be without merit. See, Transcript at pages 1109-1113; 1114; 1114-1115; and 1292 respectively. With regard to the issue of early retirement measures, witness Herndon testified in rebuttal that:

- Nexant's treatment of early retirement in the FEECA Market Potential Studies --focusing on natural turnover at the end of measures' useful lives-- is reasonable and consistent with other long-term market potential studies conducted by Nexant. [Tr. 1112-1113]
- Inclusion of early retirement measures in the manner advocated by SACE does not materially impact the long-term (10-year) achievable potential savings or goals recommendations. [Tr. 1109, 1111-1112]

- Inclusion of early retirement measures in the manner advocated by SACE introduces increased uncertainly and subjectivity into the study process. [Tr. 1109]
- Even if Nexant had considered early retirement measures in the manner advocated by SACE, very few, if any, measures would likely have contributed to the achievable potential figures because early retirement measures are typically not cost-effective. [Tr. 1112]

Lastly, consistent with past DSM goals proceedings, Gulf's technical potential analysis did not include consideration of supply-side efficiencies. [Tr. 449] In prior DSM goals proceedings, the Commission has recognized that supply-side measures require substantially different analytical methods than do demand-side systems and that they provide results that are difficult to combine with conservation goals. [Tr. 450] As a consequence, the Commission has consistently determined that evaluation of opportunities for supply-side efficiency improvements is better addressed in other contexts, such as the Commission's reviews of utility Ten Year Site Plans. [Id.] Although supply-side efficiencies were not considered in the Company's technical potential analysis, the Company regularly considers energy efficiency in its ongoing generation, transmission and distribution planning processes. [Id.]

In summary, the record evidence demonstrates that the technical potential study was rigorous and resulted in an accurate assessment of technical potential within the Company's service area. [Tr. 326]

ISSUE 2: 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.?

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SUMMARY: Yes. The measures included in the development of Gulf's goals adequately reflect the costs and benefits to participating customers. This was accomplished by

performing the Participant's Test and requiring that all measures included in the goals pass this test.

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DISCUSSION:

Consistent with the requirements of Rule 25-17.008, F.A.C., all measures included in Gulf Power's proposed goals passed the Participant's Test. [Tr. 454] As its name implies, the Participant's Test measures cost effectiveness from the perspective of the participating customer. [Tr. 441] This test considers bill savings and incentives as benefits and out-of-pocket expenses as costs. [Id.] The purpose of the Participant's Test is to determine whether program participation is economically beneficial for the customer that the program targets. [Id.] No party to this proceeding has challenged the propriety of using the Participant's Test to evaluate costs and benefits to participating customers. Nor has any party challenged Gulf Power's methodology for calculating the Participant's Test. Gulf Power's application of the Participant's Test in this proceeding is consistent with the process approved in the previous goals proceedings and is in compliance with FEECA and Rule 25-17.008, F.A.C.

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

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SUMMARY: Yes. By passing the RIM test, Gulf's proposed goals reflect the costs (including incentives) and benefits that minimize overall rate impacts for the general body of customers, whether or not they participate in one of the resulting conservation programs. In addition, by only including measures that also pass the Participant's Test, these proposed goals adequately consider participant contributions as a component of overall customer impact.

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DISCUSSION:

Gulf Power's proposed goals reflect measures that passed both the RIM and Participant's tests. [Tr. 453-54] By passing the RIM test, Gulf's proposed goals reflect costs and benefits

(including utility incentives) that minimize overall rate impacts for the general body of customers as a whole, regardless of whether they participate in one or more DSM programs. [Id.] In addition, by only including measures that also pass the Participant's Test, the proposed goals adequately consider participant contributions as a component of overall customer impact. [Id.]

The TRC test, in contrast, does not reflect all DSM-related costs to the general body of customers. The TRC test omits both incentives paid to participating customers and the economic impact of unrecovered revenue requirements on electric rates --costs borne by all of Gulf's customers. [Tr. 1046-47] The TRC test, therefore, does not adequately reflect the costs or the benefits to the general body of customers. As the Commission has previously recognized, the TRC test can also result in cross-subsidies between customers and can disproportionately impact low-income customers. [Tr. 1047-48]

Although no SACE witnesses challenges the discretion of the Commission to rely on the RIM test to weigh potential rate impacts, SACE has advanced the novel position that the RIM test inappropriately treats unrecovered revenue requirements as a "cost" and therefore ignores true costs and benefits to the general body of customers as whole. See, Order No. PSC- 2019-0323-PHO-EG at p. 28 and Transcript at 934, 938. SACE witness Grevatt goes so far as to suggest that the RIM test is not a cost-effectiveness test at all. [Tr. 937] This novel position ignores the fact that the RIM test has been recognized both nationally and by this Commission as a valid cost-effectiveness test for many years. [Tr. 1049, 1286] It also ignores the fact that the RIM test (including its treatment of unrecovered revenue requirements as a cost) is embodied in the Commission's own DSM Cost Effectiveness Manual which has been incorporated into Commission Rule 25-17.008, F.A.C. [Id.] Finally, it completely disregards Commission and

Florida Supreme Court precedent holding that rate impacts in the context of DSM do, in fact, constitute costs. [Tr. 1049-1051]

Section 366.82(3)(b), Florida Statutes, requires the Commission to consider "the costs and benefits to the general body of ratepayers as a whole, including utility incentives and participant contributions." In Florida, the phrase "costs and benefits to the general body of ratepayers as a whole" has its roots in determining rates that are fair and that do not pit the interests of one group of customers against those of another, which could result in cross-subsidies. [Tr. 1051] Its application results in the protection of all customers as a whole. [Id.] Only the RIM test ensures that all customers in the general body of customers are protected from potential cross-subsidies between participants and non-participants in DSM programs. [Id.] SACE attempts to divert the Commission's attention from the upward rate pressure and cross-subsidies associated with its proposals by suggesting that, on average, customer bills will go down under its proposals. [Tr. 938, 943-944] To be sure, customers who participate in a utility program and receive an incentive may use less energy and may experience reductions in bills. The fact remains, however, that rates will be higher for <u>everyone,</u> and those customers who do not, or cannot, participate in a utility program --typically a substantial majority of customers-- will be saddled with higher rates <u>and</u> higher bills. [Tr. 1282-83] This outcome is precisely the type of overt and intentional cross-subsidization that the Commission should, as a matter of public policy, avoid wherever reasonably possible. [Tr. 1058]

<u>ISSUE 4</u>: Do the Company's proposed goals adequately reflect the need for incentives to promote both customer-owned and utility-owned energy efficiency and demand-side renewable energy systems, pursuant to Section 366.82(3)(c), F.S.?

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SUMMARY: Yes. Gulf's proposed goals were developed utilizing the RIM and Participant's tests. In practice, these tests provide incentives to participating customers through the payment of rebates, to the general body of customers by preventing cross-

subsidization between DSM program participants and non-participants, and to the utility by ensuring that incorporation of DSM in the resource planning process results in net benefits that put downward pressure on rates.

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DISCUSSION:

The Commission's historical preference for relying on the combination of the RIM and Participant's tests in the evaluation and approval of utility conservation goals and programs has provided the necessary structure to ensure that the interests of all stakeholders are balanced. [Tr. 455] In practice, these tests have provided incentives to customers through the payment of rebates, to the utility by balancing the impacts of avoided cost benefits against revenue impacts, and to the general body of customers by preventing cross-subsidization between DSM program participants and non-participants. [Id.] Consequently, Gulf Power does not believe that utility performance incentives are needed under a RIM-based goal proposal. [Id.] If, in establishing Gulf Power's goals, the Commission were to adopt the recommendations of SACE or establish goals which otherwise disturb the appropriate balance between the interests of all stakeholders, Gulf believes that the consideration of utility performance incentives may be warranted.

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.?

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SUMMARY: Yes. Gulf is not incurring costs associated with state or federal regulations on the emission of greenhouse gases. Therefore, Gulf has not included assumptions for costs of greenhouse gas emissions in the development of its proposed goals. Gulf's DSM evaluations are consistent with the statute's directive and with the assumptions used in determining the next generating unit identified in the Company's 2019 Ten Year Site Plan.

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DISCUSSION:

When establishing DSM goals, section 366.82(3)(d), Florida Statutes, requires the Commission to consider "[t]he costs imposed by state and federal regulations on the emission of greenhouse gases." (emphasis added) Gulf Power is not incurring costs associated with state or federal regulations on greenhouse gases. [Tr. 454] Consequently, the Company did not include assumptions for costs of greenhouse gas emissions in the development of its proposed goals. [Id.] Gulf's DSM evaluations are consistent with assumptions used in determining the next generating unit identified in the Company's 2019 Ten Year Site Plan. [Tr. 442-43] Gulf Power's approach to considering state and federal greenhouse gas regulations in this proceeding is also consistent with the approach utilized by the Company in the 2014 goals proceeding. In its order approving DSM goals in 2014, the Commission supported such an approach and held as follows:

> [c]urrently, there are no costs imposed by state and federal regulations on the emissions of greenhouses gases. Therefore, consistent with Order No. PSC-13-0386-PCO-EU, the Utilities filed base case goals assuming a cost of zero dollars for CO2. Pursuant to Section 366.82(6), F.S., we may change the goals for reasonable cause. Once compliance costs associated with any regulations on the emission of Greenhouse gases are known, including CO2, we have authority to review and, if appropriate, modify goals.

Order No. PSC-14-0696-FOF-EU at pages 19-20.

No party to this proceeding introduced evidence warranting a departure from the Commission's previous decision or warranting consideration of greenhouse gas emission costs in Gulf Power's analyses. Therefore, the Commission should find that 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), Florida Statutes.

ISSUE 6: What cost-effectiveness test or tests should the Commission use to set goals, pursuant to Section 366.82, F.S.?

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SUMMARY: The Commission should use the combination of RIM and Participant's tests to set goals for Gulf Power. This combination of tests is consistent with longstanding Commission precedent and the language contained within section 366.82(3)(b), Florida Statutes. These tests provide an appropriate balance between participating and non-participating customer benefits and ensure downward pressure on overall electric rates. The TRC test, on the other hand, does not reflect all costs to the general body of ratepayers.

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DISCUSSION:

The Commission should continue to use the combination of RIM and Participant's tests to set goals for Gulf Power. [Tr. 453] Section 366.82(3)(b), Florida Statutes, requires the Commission to consider "[t]he costs and benefits to the general body of ratepayers as a whole, including utility incentives and participant contributions." By passing the RIM test, Gulf's proposed goals reflect costs and benefits (including utility incentives) that minimize overall rate impacts for the general body of customers as a whole, regardless of whether they participate in one or more DSM programs. [Tr. Id.] In addition, by only including measures that also pass the Participant's Test, the proposed goals adequately consider participant contributions as a component of overall customer impact. [Id.] The RIM test evaluates the cost-effectiveness of a measure from the participants' and non-participants' perspective. [Tr. 441] In this way, it measures whether cross-subsidy occurs between participating and non-participating customers that ultimately results in upward rate pressure. [Id.] The RIM test considers avoided capacity and fuel costs as a benefit compared to costs of program implementation, including utility incentives and utility unrecovered revenue requirements (which contribute towards fixed cost recovery). [Id.] When benefits exceed costs in the RIM test, implementation of the efficiency measure or program will not result in cross-subsidy and will cause downward pressure on utility rates for all customers. [Id.] This outcome is why the test is often referred to as the "no losers" test. [Id.] All customers benefit from RIM-based DSM. In contrast, the TRC test results in

"winners" and "losers." [Tr. 1288] The TRC test does not include utility incentives or unrecovered revenue requirements as "costs" in the cost/benefit equation. [Tr. 442] These, however, are true costs to the utility which must ultimately be recovered from all customers. [Tr. 1287] Customers who participate in TRC-based DSM programs "win" in the sense that they may be able to avoid or mitigate the increase in rates by virtue of reducing their electrical consumption through utility-sponsored DSM. However, the remaining customers, which are by far the greater number, "lose" in the form of paying higher rates without the benefit of reduced consumption. [Tr. 1287-1288] This dynamic is the nature of the cross-subsidization inherent in use of the TRC test. [Id.] It is precisely the type of overt and intentional cross-subsidization that the Commission should, as a matter of public policy, avoid wherever reasonably possible. [Tr. 1058]

Although no SACE witnesses challenges the discretion of the Commission to rely on the RIM test to weigh potential rate impacts, SACE has advanced the novel position that the RIM test inappropriately treats unrecovered revenue requirements as a "cost" and, therefore, ignores true costs and benefits to the general body of customers as whole. See Order No. PSC- 2019-0323-PHO-EG at p. 28 and Transcript at 934, 938. SACE witness Grevatt goes so far as to suggest that the RIM test is not a cost-effectiveness test at all. [Tr. 937] This novel position ignores the fact that the RIM test has been recognized both nationally and by this Commission as a valid cost-effectiveness test for many years. [Tr. 1049, 1286] It also ignores the fact that the RIM test (including its treatment of unrecovered revenue requirements as a cost) is embodied in the Commission's own DSM Cost Effectiveness Manual which has been incorporated into Commission Rule 25-17.008, F.A.C. [Id.] Finally, it completely disregards Commission and

Florida Supreme Court precedent holding that rate impacts in the context of DSM do, in fact, constitute costs. [Tr. 1049-1051]

Section 366.82(3)(b), Florida Statutes, requires the Commission to consider "the costs and benefits to the general body of ratepayers as a whole, including utility incentives and participant contributions." In Florida, the phrase "costs and benefits to the general body of ratepayers as a whole" has its roots in determining rates that are fair and that do not pit the interests of one group of customers against those of another, which could result in cross-subsidies. [Tr. 1051] Its application results in the protection of all customers as a whole, including low-income customers. [Id.] Only the RIM test ensures that all customers in the general body of customers are protected from potential cross-subsidies between participants and non-participants in DSM programs. [Id.]

SACE does not dispute that use of the TRC test results in higher electricity rates or cross-subsidies. Instead, they suggest that the Commission should not concern itself with such matters because, with high customer participation in DSM programs, customer bill savings will offset any rate increases. [Tr. 938, 943-944] In addition to ignoring the Commission's general policy against avoiding cross-subsidization wherever possible, the flaw in this argument is that it completely ignores the voluntary nature of utility-sponsored DSM programs. [Tr. 1057-1058] Regardless of how aggressively a utility promotes DSM to its customer base, there will be many customers

--including many low-income customers-- who are either unwilling or unable to participate. [Tr. 1282-1283]

Customers expect and deserve rates that are fair, equitable, and non-discriminatory. [Tr. 1062] They want to know that the rates they pay are the same as the rates paid by all other

similarly situated customers on the system. [Id.] They also do not expect their rates to be higher because of the actions of others or benefits given to other customers for which they do not qualify. [Id.] It is therefore important that the rate impacts of participants versus non-participants be recognized. [Id.] This same standard is equally applicable to both base rates and rates that are passed through to customers through the Energy Conservation Cost Recovery ("ECCR") clause. [Id.]

In reaching a decision on this issue, Gulf urges the Commission to remain mindful of the financial impacts that its decision will have on all of Gulf's customers, including those who cannot or do not participate in utility-sponsored DSM programs. Reliance on the RIM test will ensure that DSM benefits Gulf's general body of customers as whole, including low-income customers.

ISSUE 7: Do the Company's proposed goals appropriately reflect consideration of free riders?

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SUMMARY: Yes. As required by Rule 25-17.0021, Florida Administrative Code, the goals established in this proceeding must account for the effects of free ridership. Consistent with long-standing Commission precedent, Gulf utilized a two-year payback criterion to account for free ridership. The two-year payback criterion is an objective, reasonable and efficient method of addressing free ridership during the goal-setting process as required by Commission rule.

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DISCUSSION:

The FEECA utilities appropriately used a two-year payback criterion to screen for free riders --customers who would implement efficiency measures in the absence of a utility

incentive. [Tr. 444] [2] If included as part of a utility's goal, the expense associated with the promotion of measures having a customer payback of two years or less would be an unnecessary cost burden on non-participating utility customers because an economically rational participant would adopt these measures in the absence of a utility program. [Tr. Id.] SACE levied various criticisms of the two-year payback criterion, yet they offered no meaningful alternatives for screening free riders at the goal-setting phase. [Tr. 1070] In fact, despite Rule 25-17.0021(3), F.A.C.'s mandate that free riders be considered in setting goals, SACE's goals recommendations do not account for free ridership in any way. [Tr. 1073, 1277-78]

The two-year payback criterion was initially adopted by the Commission as a means of addressing free riders in Order No. PSC-94-1313-FOF-EG and has consistently been relied upon in subsequent goal-setting proceedings. [Tr. 1063] In its most recent goal-setting proceeding, the Commission again used the two-year payback criterion to account for free riders, stating:

> We find that the two-year payback criterion provides sufficient economic incentive to convince a customer to participate in a given energy efficiency program while balancing the requirement to account for free riders and minimizing program costs and undue subsidies…. [W]e approved goals based on a two-year payback criterion to identify free riders since 1994 and we find it appropriate to continue this policy….

Order No. PSC-14-0696-FOF-EU, pages 26-27

Screening of measures having a customer payback of two years or less is a logical approach to avoiding spending that all customers must bear for participant cost savings

[2] In accordance with the Minimum Testimony Requirements set forth in the Order Establishing Procedure, Gulf also filed sensitivities depicting the economic potential for measures possessing one and three-year paybacks. [Hearing Exhibit 35, Schedule 7] The energy and demand savings associated with these sensitivities are calculated at the economic potential phase of the analysis and do not reflect savings that are reasonably achievable. [Tr. 507] In order to translate these savings figures into achievable potential, extensive additional modeling would be required. [Hearing Exhibit 126, Gulf Response to Staff Interrogatory No. 49] As a consequence, these figures cannot be used as a proxy screen for free ridership or to establish goals. [Tr. 507, Hearing Exhibit 131, Gulf Response to Staff Interrogatory 72]

opportunities that have a relatively short economic payback. [Tr. 1290] The basic premise behind the use of this criterion is simple and compelling: utilities, and their customers, who bear the expense of ECCR recovery of program costs through their monthly bills, should not be paying incentives to customers who already have sufficient economic incentive to implement DSM on their own.

SACE attempts to discredit the two-year payback criterion by establishing a false premise underlying the criterion and then attacking the false premise.[3] In particular, SACE contends that the criterion improperly assumes that "all" efficiency measures with a payback of less than two years would routinely be installed by customers in the absence of utility programs. [Tr. 946] To be clear, Gulf is not contending, nor has it ever contended, that 100 percent of customers will adopt measures having a payback of two years or less. [Tr. 1065, 1290] In fact, it has been Gulf Power's experience that achieving 100 percent adoption (or even large majority adoption) is likely not possible even if a utility were to give measures away at no cost. [Tr. 1283] The two-year payback criterion does not, nor should it, assume that 100 percent of all customers will adopt a measure if its payback is two years or less. [Tr. 1065] It does assume, however, that two years is a reasonable point of differentiation to establish where a utility-sponsored incentive is not necessary based on the measure's own inherent economic attractiveness. [Id.] A utility's general body of customers should not be required to subsidize customers who have sufficient economic incentive to implement DSM on their own.

In addition to misconstruing the premise behind the two-year payback criterion, SACE further confounds matters by inexplicably suggesting that screening for free riders at the goal setting phase is unnecessary because utility sales forecasts used to develop the technical potential

[3] The impacts of application of the two-year payback criterion are not as far-reaching as SACE suggests. In Gulf Power's case, no residential measures were screened from Gulf Power's RIM portfolio as a result of the two-year payback criterion. [Tr. 508, 531]

account for some amount of naturally occurring adoption of energy efficiency. [Tr. 949-950] At the very best, this position represents a fundamental misunderstanding of how Market Potential Studies are conducted.[4] As explained by witness Herndon, consideration of naturally occurring efficiency at the technical potential phase and screening for free-ridership at the achievable potential phase are "two discrete and separate components of the Market Potential Study that address different issues and are applied in different ways to the Demand Side Management (DSM) measures included in the study." [Tr. 1104] The first component, consideration of naturally occurring efficiency, was necessary to align individual measure assumptions with utility load forecasts. [Tr. 1105] However, aligning with utility forecast assumptions does not address the likelihood of future free ridership for customers participating in a utility-sponsored DSM program. [Id.] In order to address the issue of free riders, it was necessary to include the additional step of applying the two-year payback screen. [Id.] SACE is categorically wrong in suggesting that application of the free ridership screen "double adjusted" for free ridership. [Tr. 1106, Hearing Exhibit 130, Gulf Response to Staff Interrogatory No. 64]

SACE also attempts to discredit the two-year payback criterion by noting that witness Herndon did not utilize a two-year payback screen in other potential studies that he has performed for Nexant. [Tr. 387] However, as explained by witness Herndon, he had no reason to address free-ridership in these other studies. Specifically, witness Herndon testified that other jurisdictions where he has performed Market Potential Studies do not apply free-ridership screens at the goal-setting phase because those jurisdictions, unlike Florida, do not establish

[4] This is perhaps best illustrated by the 2015 Arkansas Efficiency Potential Study referenced at page 41 of SACE witness Grevatt's own testimony. As explained by witness Herndon, this study addressed the inclusion of naturally occurring efficiency in the utility energy sales forecast and stated that the resulting energy efficiency potential did not address free-ridership. [TR 1107] In other words, even the study cited by SACE's own witness demonstrates that consideration of naturally occurring adoption in the technical potential phase of the analysis does not obviate the need to account for free ridership in goal-setting via a separate mechanism. [Tr 1108]

goals based directly on the results of such studies. [Id.] Rather, many jurisdictions address free-ridership during program-design. [Id.] Mr. Herndon noted that other jurisdictions do, in fact, utilize a two-year payback criterion in establishing incentive levels during the program design phase. [Tr. 388] The rationale in these other jurisdictions, not unlike the rationale in Florida, is that limiting an incentive to a two-year payback "[i]s an appropriate metric for determining when it's economically attractive to customers to do things on their own." [Tr. 388]

Although Gulf continues to support the Commission's policy of utilizing the two-year payback criterion to screen for free ridership, it is not the Company's contention that utilities do, or should, ignore these measures. For example, Gulf Power routinely informs its general body of customers, including low-income customers, about measures having a payback of two years or less during its energy audits, home shows, website and through its energy education programs. [Tr. 433, Hearing Exhibit 131, Gulf Response to Staff Interrogatory Nos. 73, 78, 80] Gulf also includes two-year payback measures in its existing low-income program known as the Community Energy Saver program. [Tr. 1285, 1296, Hearing Exhibit 131, Gulf Response to Staff Interrogatory Nos. 78 and 80] Finally, as discussed by Gulf witness Floyd, if the Commission adopts Gulf's proposed goals, Gulf is committed to continue offering a low-income program which includes a portfolio of two-year payback measures. [Tr. 1286, 1296-97] Offering these measures through a low-income program is superior to increasing Gulf's DSM goals to account for some or all of the achievable potential associated with two-year payback measures because it targets a subset of customers who may be less informed or more likely to need financial incentives to adopt these measures. Gulf's proposed approach also reduces the costs and cross-subsidies associated with offering such incentives to Gulf's general body of customers, many of whom can easily afford such measures. In short, tailoring a program to low-

income customers will benefit the customers who are truly in need of assistance while also relieving these same customers from having to subsidize other more affluent customers to install these quick payback measures.

ISSUE 8: What residential summer and winter megawatt (MW) and annual Gigawatt-hour (GWh) goals should be established for the period 2020-2029?

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SUMMARY: The Commission should approve the Company's proposed goals totaling zero summer and winter MW and zero GWh for the period 2020-2029. Gulf's goals (i) reflect the Company's resource planning process; (ii) reflect all costs and benefits to participants and the general body of customers; (iii) account for free riders; and (iv) avoid cross-subsidization of participants by non-participants. Additionally, Gulf's goals properly reflect the evolving role for utilities in offering energy efficiency and diminishing cost-effectiveness results.

***

DISCUSSION:

The Company's proposed annual residential summer and winter demand and energy goals

are set forth in the following table:

Proposed Numeric Conservation Goals -- Savings at the Generator											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Residential											
Summer System Peak (MW)	0	0	0	0	0	0	0	0	0	0	0
Winter System Peak (MW)	0	0	0	0	0	0	0	0	0	0	0
Annual Energy (GWh)	0	0	0	0	0	0	0	0	0	0	0

[Hearing Exhibit 35, Schedule 1]

FEECA and the Commission's implementing regulations very clearly require that any goals established by the Commission must be cost effective. Section 366.81, Florida Statues, provides in relevant part as follows: "[t]he Legislature finds and declares that it is critical to utilize the most efficient and cost-effective demand-side renewable energy systems and conservation systems in order to protect the health, prosperity, and general welfare of the state

and its citizens." § 366.81, Fla. Stat. (emphasis supplied) Rule 25-17.0021(1), Florida Administrative Code, provides that "[g]oals shall be based on an estimate of the total cost effective kilowatt and kilowatt-hour savings reasonably achievable through demand-side management in each utility's service area over a ten-year period." (emphasis supplied) Subsection (3) of Rule 25-17.0021 further provides that "[i]n a proceeding to establish or modify goals, each utility shall propose numerical goals for the ten year period and provide ten year projections, based upon the utility's most recent planning process, of the total, cost-effective, winter and summer peak demand (KW) and annual energy (KWH) savings reasonably achievable in the residential and commercial/industrial classes through demand-side management." (emphasis supplied)

Analyses based upon Gulf Power's most recent planning process conclusively demonstrate that no KW or KWH savings are currently cost effective in the Company's residential sector. [Tr. 430] As a consequence, Gulf is, quite appropriately, proposing goals of zero for this sector. As explained by Gulf witness Floyd, Gulf's proposal is a direct and natural outcome of the rigorous analytical process prescribed by FEECA:

> The zero goals is an outcome of that process. And, given the information we have at the time, the forecasts of avoided costs and the continuing impacts of codes and standards, that is the result of that process. And, each time we go through this process, things change. Sometimes they may go up; sometimes they may go down, but it's a -- it's a result of the process. It's not necessarily an outcome that is predetermined. So, … we have no objective here other than ensuring that we set goals on what's cost-effective and reasonably achievable.

[Tr. 509-510]

The Commission has recognized that establishing goals of zero is appropriate in circumstances where no savings are found to be cost effective. For example, in Order No. PSC-00-0588-FOF-EG dated March 23, 2000, the Commission considered establishing numeric

conservation goals for JEA for the period 2001 through 2010. The record evidence demonstrated that no measures were cost-effective for JEA. The Commission held as follows: "[i]n conclusion, because no DSM measures were found cost-effective for JEA, it is not appropriate to establish conservation goals for JEA. Accordingly, we find that JEA's proposed annual residential winter and summer kW and annual residential kWh conservation goals of zero for the period 2001 through 2010 are appropriate. Likewise, we find that proposed annual commercial/industrial winter and summer kW and annual commercial/industrial kWh conservation goals of zero for the period 2001 through 2010 are appropriate." Order at p. 3 (emphasis added). The Commission reached similar conclusions in Order Nos. PSC-00-0587-FOF-EG, PSC-04-0768-PAA-EG, and PSC-04-0767-PAA-EG.

Notwithstanding Gulf's residential goals proposal, the Company nevertheless proposes to continue, and potentially expand, its low-income DSM offerings.[5] [Tr. 1286] Since its inception in 2011, Gulf's low-income program has served over 21,000 customers representing over 15 percent of the eligible customer base. [Tr. 1285] Over the past five years, Gulf's existing low-income program has achieved average annual energy and demand savings of 2.16 GWh, 0.17 Summer MW, and 0.37 Winter MW, respectively. [Hearing Exhibit 131, Gulf Response to Staff Interrogatory No. 77] If the Commission is of the view that Gulf Power's goals proposal should be enhanced to account for the impacts of the Company's future low-income offerings, the Company is supportive of the Commission incrementing the Company's residential goal

[5] As discussed by Gulf witness Floyd, if the Commission approves the Company's proposal to continue a low-income offering, Gulf expects to seek and receive cost recovery for expenditures associated with such offering through the ECCR clause. [Tr. 514-515] Gulf does not view a zero residential goal proposal as an impediment to receiving cost recovery for programs that this Commission has approved. If the Commission is of a different view, Gulf is, as stated previously, supportive of the Commission incrementing the Company's residential goal proposal using average annual energy and demand savings associated with Gulf's current low-income offering. [Tr. 1297] Alternatively, the Commission could approve the low-income offering as a pilot or experimental offering as it is entitled to do pursuant to section 366.81, Florida Statutes.

proposal using average annual energy and demand savings associated with Gulf's current low-income offering. [Tr. 1297]

While the Company is in favor of continuation of an appropriately-structured low-income offering, Gulf Power does not support SACE's low-income goal proposal. In addition to the fact that FEECA does not contemplate establishing separate goals for differing customer segments within the residential sector, SACE's low-income proposal lacks the rigorous analyses required under FEECA. SACE witness Bradley-Wright formulated his proposed low-income goals using the following two steps:

- Using SACE witness Grevatt's "partially corrected" TRC achievable potential as a starting point.
- Multiplying the "partially corrected" TRC achievable potential by the percentage of customers in each utility's service area that is at or below 200 percent of the federal poverty level.

[Tr. 1008]

As explained by Gulf witness Floyd, the foregoing analysis is overly simplistic and fatally deficient for a variety of reasons. First, witness Bradley-Wright utilized an invalid starting point --witness Grevatt's calculation-- for his analysis. [Tr. 1280] Witness Grevatt developed his "partially corrected" TRC achievable potential for Gulf Power by:

- Adding the economic potential of all measures screened out by the two-year payback criterion to Gulf's original TRC economic potential.
- Dividing these economic potential figures by two based upon Mr. Grevatt's casual "assumption" that "about half" of Gulf Power's economic potential should be achievable.

[Tr. 968-971]

Witness Grevatt's TRC achievable potential calculation (and by necessary extension, witness Bradley-Wright's low-income calculation) cannot be relied upon in setting goals. [Tr. 1280] Witness Grevatt based his achievable potential "assumption" on studies from a handful of other jurisdictions. [Tr. 971] Yet he did not offer:

- any comparison of measures from those studies as compared to Gulf's study;
- the current adoption of measures from those studies as compared to Gulf's study;
- the measures' savings characteristics used in those studies compared to Gulf's study;
- incentive level approaches from other studies compared to Gulf's study; or
- any other analysis whatsoever.

[Tr. 1280]

Tellingly, witness Grevatt ultimately abandoned his "partially corrected" TRC analysis in making his own goals recommendation, instead opting for a simple 1.5 percent of sales target. [Id.]

In addition to relying on witness Grevatt's flawed calculation of achievable potential, witness Bradley-Wright's back-of-the-envelope proposal completely ignores the robust process of evaluating each cost-effective measure's applicability across the residential sector, existing penetration of these measures, and likely adoption based on incentive levels and customer preference. [Tr. 1282]

Aside from its inherent analytical deficiencies, witness Bradley-Wright's low-income proposal would also result in exponentially high low-income goals (over 50 percent higher than Gulf's current goals for all customer classes), potentially astronomical costs, and unprecedented levels of cross-subsidization. [Tr. 1281, 1284] These cross-subsidies would be borne by all of

Gulf's customers, including many of the same low-income customers that SACE ostensibly seeks to protect. [Tr. 1284]

In addition to rejecting SACE's low-income goal proposal, Gulf Power likewise urges the Commission to reject SACE's flat percent of sales goals. The SACE witnesses did not perform any state or utility-specific studies or analysis. [Tr. 1072] Instead, they offered generalized, misplaced and misleading criticisms of the Commission's goals setting policies and the FEECA utilities' analyses. They employed a back-of-the-envelope arbitrary approach to proposing goals. [Tr. 1278] They did not base their proposed goals on any analysis of what would be cost-effective or reasonably achievable in Florida. Rather, they relied on the bare assumption that because two purportedly "leading" utilities in North Carolina and Arkansas aspire to save approximately 1.5 percent of electricity sales each year, then a similar energy reduction goal must necessarily be appropriate for Florida. [1071, 1278] SACE did not even propose demand reduction goals, which is itself a fatal flaw. [1071-1072, 1278]

This wildly simplistic and arbitrary approach fundamentally fails to meet the requirements of section 366.82, Florida Statutes and Rule 25-17.0021, Florida Administrative Code. [1277-1278] Section 366.82(3) requires evaluation of the full technical potential of available energy efficiency and demand-side renewable measures and consideration of four specific criteria in establishing goals. [Id.] Rule 25-17.0021(1), in turn, requires that goals be "based on an estimate of total cost-effective kilowatt and kilowatt-hour savings reasonably achievable through demand-side management in each utility's service area." [Id.] This rule also requires consideration of building codes which are specific to Florida, free riders and specific market segments and end-use categories. [Id.] SACE's proposed goals are not based on any of the criteria set forth in the statute or rule, but rather on an arbitrary percentage of sales. [Id.]

This superficial approach to goal setting is wholly disconnected from any of the FEECA requirements and blatantly ignores many critical factors that differ between states including climates, regulatory frameworks, utility rates, building codes, utility planning processes and historical DSM achievements. [Tr. 1072, 1278] SACE also ignores the fact that the Commission resoundingly rejected similar percentage of sales proposals advanced by SACE and the Sierra Club in the 2014 goals proceedings. See Order No. PSC-14-0696-EU at p. 36 (finding that SACE and Sierra Club goal proposals were not compliant with Commission rules, not based on any cost effectiveness test, and unsupported by competent and substantial evidence). The same lack of competent and substantial evidence is likewise an insurmountable flaw in the SACE recommendations in this proceeding. [Tr. 1077]

Tellingly, SACE did not offer any quantification of the substantial cost impacts to Gulf Power's customers if their proposals were adopted, nor did they offer any analysis suggesting that approaches adopted by other jurisdictions would be workable or appropriate for a state like Florida. SACE's proposed ten-year energy goal for Gulf Power is over 1,200 GWh higher than the Company's current ten-year goal. [Tr. 1279] The average annual goal proposed by SACE is almost double Gulf's current ten-year goal. [Id.] This proposal represents an increase of over 1,400 percent. [Id.] Proration of actual expenditures during Gulf's highest DSM achievement years would suggest a cost at least in the range of $450 million over the 2020-2029 period in order to achieve such energy reductions. [Id.] These costs are staggering and serve to further underscore SACE's indifference to the financial impacts that their policy recommendations will have on utility customers throughout the State of Florida, including low-income customers.

ISSUE 9: What commercial/industrial summer and winter megawatt (MW) and annual Gigawatt hour (GWh) goals should be established for the period 2020-2029?

***

SUMMARY: The Commission should approve the Company's proposed goals totaling 15 MW (summer) 11 MW (winter) and 0 GWh. Gulf's goals (i) reflect the Company's resource planning process; (ii) reflect all costs and benefits to participants and the general body of customers; (iii) account for free riders; and (iv) avoid cross-subsidization of participants by non-participants. Additionally, Gulf's goals properly reflect the evolving role for utilities in offering energy efficiency and diminishing cost-effectiveness results.

***

DISCUSSION:

The Company's proposed annual commercial/industrial summer and winter demand and energy goals are set forth in the following table:

Proposed Numeric Conservation Goals -- Savings at the Generator											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Commercial/Industrial											
Summer System Peak (MW)	1	1	1	1	1	2	2	2	2	2	15
Winter System Peak (MW)	1	1	1	1	1	1	1	1	1	2	11
Annual Energy (GWh)	0	0	0	0	0	0	0	0	0	0	0

[Hearing Exhibit 35, Schedule 1]

ISSUE 10: What goals, if any, should be established for increasing the development of demand-side renewable energy systems, pursuant to Section 366.82(2), F.S.?

***

SUMMARY: All demand-side renewable energy systems were evaluated using the same cost-effectiveness standards as other energy efficiency measures. No renewable measures are cost-effective under either the RIM or TRC cost-effectiveness tests and, therefore, none are reflected in Gulf's achievable potential results. Therefore, no goals should be established for demand-side renewable energy systems.

***

DISCUSSION:

The Commission should not set any goals for increasing the development of demand-side renewable energy systems. Through the Market Potential Study performed by Nexant, a robust

and comprehensive assessment of the full achievable potential of demand-side conservation and energy efficiency measures has been completed. [Tr. 451] This assessment included the assessment of demand-side renewable energy systems. [Id.] All demand-side renewable energy systems were evaluated using the same cost-effectiveness standards that were used in evaluating other energy efficiency measures. [Id.] As was true in the previous goals proceeding, all renewable measures failed both the RIM and TRC cost-effectiveness tests. [Tr. 452]

In the previous goals proceeding, the Commission declined to establish goals for increasing the development of demand-side renewable energy systems. This approach was, in large measure, due to the fact that such systems were not cost-effective. See Order No. PSC-14-0696-FOF-EI at pp. 43-48. For the same reason, the Commission should similarly decline to establish such goals in this proceeding. Contrary to SACE's contentions, establishing separate goals for demand-side renewable energy systems is not statutorily required. Section 366.82(2), Florida Statutes, does not require the Commission to adopt goals under all circumstances. The statute provides the Commission with the discretion to adopt "appropriate" goals for increasing the efficiency of energy consumption and increasing the development of demand-side renewable energy systems. Given that no demand-side renewable energy systems were determined to be cost-effective under any of the Commission's approved cost-effectiveness tests, it is appropriate now, just as it was in 2014, that no goals be set.

Alternatively, if the Commission determines that it is required to establish such goals, the goals should be set at zero. In past goals proceedings, the Commission determined that it was appropriate to set goals equal to zero in cases where no DSM measures were found to be cost-effective. For example, in Order No. PSC-00-0588-FOF-EG dated March 23, 2000, the Commission considered establishing numeric conservation goals for JEA for the period 2001

through 2010. The record evidence demonstrated that no measures were cost-effective for JEA. The Commission held as follows: "[i]n conclusion, because no DSM measures were found cost-effective for JEA, it is not appropriate to establish conservation goals for JEA. Accordingly, we find that JEA's proposed annual residential winter and summer kW and annual residential kWh conservation goals of zero for the period 2001 through 2010 are appropriate. Likewise, we find that proposed annual commercial/industrial winter and summer kW and annual commercial/industrial kWh conservation goals of zero for the period 2001 through 2010 are appropriate." Order at p. 3 (emphasis added). The Commission reached similar conclusions in Order Nos. PSC-00-0587-FOF-EG, PSC-04-0768-PAA-EG, and PSC-04-0767-PAA-EG. Given that no renewable measures passed the Commission's approved cost-effectiveness criteria, setting renewable goals at a level above zero in this proceeding would not be appropriate. [Tr. 452]

In its Prehearing Statement for Issue No. 10, SACE takes the position that "[g]oals should be established to create pilot programs at schools that also serve as storm shelters along with battery storage in order to increase resiliency and offset peak demand." SACE Prehearing Statement at p. 11 The Commission should reject this proposal as lacking any competent and substantial evidence. No SACE witness introduced testimony on the subject of a renewable pilot program, nor is there any other record evidence alluding to, much less supporting, such a proposal. Moreover, Gulf Power's testimony conclusively demonstrates that demand-side renewably energy measures failed both the RIM and TRC cost-effectiveness tests. [Tr. 452] Finally, programs to advance demand-side renewable energy measures are not necessary because such measures are proliferating throughout Gulf Power's service area in the absence of utility-sponsored DSM programs. Since 2008, over 1,200 residential and commercial renewable energy

systems have been interconnected on Gulf's grid with a capacity over 7,500 kW. [Tr. 452-453] Moreover, demand-side renewables have experienced tremendous growth since the end of utility incentive programs in 2015. [Tr. 460, 510] This growth is likely attributable to a combination of factors including the Commission's net-metering rule, reductions in solar system costs, and greater competition among solar providers in the Company's service area. [Tr. 510-511]

ISSUE 11: Should these dockets be closed?

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POSITION: Yes. This docket should be closed upon the issuance of an appropriate order approving Gulf Power's proposed numeric conservation Goals for the years 2020-2029.

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CONCLUSION

Gulf recognizes the important role that energy efficiency and renewable technologies play in utility resource planning, and it is committed to actively pursuing and promoting renewables and DSM in a manner that comports with utility-planning processes, minimizes free-ridership, avoids cross-subsidization and places downward pressure on rates for the Company's general body of customers as a whole. Gulf's proposed goals accomplish all of these objectives while also adhering to FEECA and the Commission's rules. In sharp contrast, SACE's proposals are based on arbitrary "benchmarking" theories which wholly ignore cost-effectiveness, the utility-planning process and free-ridership, promote cross-subsidization, and place upward pressure on customer rates. While promoting energy efficiency is important, it must be accomplished in a thoughtful and deliberative manner. SACE's haphazard proposals run counter to these objectives. For all of the foregoing reasons, Gulf Power respectfully requests that the Commission approve its goal proposals.

Respectfully submitted this 20th day of September, 2019.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: **Commission Review of Numeric Conservation Goals (Gulf Power Company)**)

Docket No.: **20190016-EG**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by electronic mail this 20th day of September, 2019 to the following:

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