



February 15, 2021

Margo DuVal
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

In response to Docket NO. 20200181-EU Proposed Amendment of 25-17.0021, F.A.C., Goals for Electric Utilities

Please find the Comments of sent on behalf of the Southeast Energy Efficiency Alliance in the above— referenced matter. Please contact Cyrus Bhedwar, Director of Energy Efficiency Policy, at cbhedwar@seealliance.org with any questions.

Respectfully,

A handwritten signature in black ink, appearing to read "Cyrus Bhedwar", is written over a light blue horizontal line. The signature is fluid and cursive.

Cyrus Bhedwar
Director of Energy Efficiency Policy

Comments from the Southeast Energy Efficiency Alliance

In response to Docket NO. 20200181-EU Proposed Amendment of 25-17.0021, F.A.C., Goals for Electric Utilities

The Southeast Energy Efficiency Alliance is a non-profit, non-partisan organization based in Atlanta, Georgia that serves an eleven-state territory including Florida. Its twenty-five member board includes utilities, energy efficiency and electric vehicle businesses, academic institutions, other NGOs and federal and state agencies. While SEEA does not intervene in regulatory dockets, our comments reflect that we work with public service commissions and utilities in a collaborative manner to share both established best practices as well as emerging practices that advance energy efficiency.

A. Summary

SEEA's comments address the following issues:

- A response to staff's proposed rule revisions;
- The opportunity to expand the scope of the rulemaking to support more energy efficiency to address energy insecurity in Florida;
- Recommendations including:
 - At minimum, The Commission could consider the following elements most likely to produce significant gains in energy efficiency:
 - The Commission should establish reasonable and steadily increasing annual energy savings targets;
 - The Commission should build a Florida specific cost-effectiveness screen based on the guidance provided in the National Standard Practice Manual;
 - The Commission should establish robust evaluation, measurement and verification coupled with performance incentives to create a win-win for utilities and customers; and
 - The Commission should consider establishing minimum thresholds for investment in low-income energy efficiency programs.
 - Considering a broader framework in which to develop its energy efficiency efforts, such as the approach to rulemaking developed by Louisiana.
 - Hosting additional workshops to allow the Commission to receive input from stakeholders and solicit perspectives from experts as it finalizes its energy efficiency rules.

Staff's Proposed Rule Revisions

The staff's proposal integrates the goal-setting and program development processes, asking utilities to submit programs at the same time they submit their proposed goals. Based on SEEA's experience in its eleven-state region, most if not all other states establish a goal and then enable utilities to develop and submit programs to meet that goal, which is the current practice in Florida. This current practice allows

the utilities to conduct the program development process once. Under the proposed rules, it seems that, if for example the Commission chose to set different goals than the utilities proposed, they would have to refine their program portfolio, an extra step that could be avoided under current practice.

If staff or the Commission deem that a disconnection exists between the goal setting and program proposal stage, it is SEEA's opinion that the FEECA statute provides the Commission with the authority to provide clearer direction to the utilities to address these issues. For example, if utilities submit program portfolios that do not reflect their proposed goals or that do not appear to include particular customer segments or program types deemed important by the Commission, there are approaches that provide more clarity and transparency than the approach Staff has proposed. SEEA recommends that staff identify specific problems with the current practice and host and additional workshop(s) to address these needs.

B. Energy Insecurity and Energy Efficiency in Florida

SEEA is pleased to share additional perspective on the opportunity staff has to redesign its rules to position energy efficiency to serve Floridians more robustly than it currently does. During and following the Florida Public Service Commission's 2019 hearing on FEECA, members of the commission questioned if the current interpretation of the statute continues to serve Florida utility customers.

This inquiry became even more relevant as the COVID-19 pandemic that continues to threaten Floridians' health and disrupt the economy shone a bright spotlight on the issue of energy insecurity. Even before the pandemic, one out of three households in the United States struggled with energy insecurity, or the "inability to meet basic household energy needs" like heating, cooling, or lighting.¹

As mentioned below, Florida has the most energy efficiency potential of any state in the country, and energy efficiency can play a significant role in addressing energy insecurity. As the staff and Commission consider changes to the rules governing the implementation of FEECA, SEEA respectfully offers the following for your consideration:

- Energy bills for low-income residents in Florida average 8% of their annual income, exceeding the 6% affordability ceiling recommended by the U.S. Department of Housing and Urban Development. Some counties in Florida average more than 15% of income spent on energy bills for low-income residents. This compares to 3% of annual income for middle-income households - those that make 80% of the state's median income or above.²

¹ Hernandez, Diana. "Understanding 'energy insecurity' and how it matters to health." *Social Science and Medicine*, No. 167 (October 2016): 1-10. Available at: [10.1016/j.socscimed.2016.08.029](https://doi.org/10.1016/j.socscimed.2016.08.029).

² Data from the U.S. Department of Energy's Low Income Energy Affordability Data (LEAD) Tool. Available at: <https://www.energy.gov/eere/slsc/maps/lead-tool>

- Federal energy assistance is a critical stopgap for households struggling to pay bills or fund energy efficiency retrofits. In 2019 1.9 million households in Florida were eligible by income for Low Income Home Energy Assistance Program (LIHEAP) funding, but that year only 6.25% of these households were served by any type of LIHEAP assistance, and only 0.2% of eligible households received LIHEAP-funded weatherization services.³
- High energy cost burdens disproportionately affect aging Floridians. About half of all households that are income-eligible for LIHEAP – more than 900,000 households – include a resident over the age of 60.⁴
- Since the COVID-19 pandemic began, 140,214 Floridians have requested utility assistance from the state’s 211 hotline, a 67% increase from the previous year, with most of these calls focused on assistance paying electric bills.⁵

Energy efficiency can play a significant role in addressing energy insecurity and do so in ways that reduce costs for everyone.

- According to the Florida Department of Economic Opportunity, weatherization services in Florida return \$2.51 for residents for every \$1 invested.⁶
- The Electric Power Research Institute (EPRI) estimates that energy efficiency and demand response across all sectors can save Florida 77,031 GWh annually, or 21.5% of all electricity sold in the state by 2035.⁷ **Florida is the state with the greatest energy efficiency potential in the country**, according to this analysis. Over half of these savings are derived from residential energy efficiency measures, which have the potential to reduce electric bills for utility customers by an average of 22.3%.⁸

³ Data from U.S. Department of Health and Human Services (HHS), LIHEAP Data Warehouse, Available at: https://liheappm.acf.hhs.gov/data_warehouse/index.php?report=homepage

⁴ Data from U.S. Department of Health and Human Services (HHS), LIHEAP Data Warehouse, Available at: https://liheappm.acf.hhs.gov/data_warehouse/index.php?report=homepage

⁵ Data available from the Health Communication Research Laboratory’s Florida Statewide 2-1-1 Counts Database, Dates: March 11, 2020 - January 7, 2021. Available at: <https://fl.211counts.org/>

⁶ Available at: https://floridajobs.org/docs/default-source/2015-community-development/community-assistance/wap/factsheet.pdf?sfvrsn=f5eb78b0_2

⁷ EPRI, State Level Electric Energy Efficiency Potential Estimates. Available at: https://www.energy.gov/sites/prod/files/2017/05/f34/epri_state_level_electric_energy_efficiency_potential_estimates_0.pdf

⁸ Eric J.H. Wilson, Chioke B. Harris, Joseph J. Robertson, John Agan, “Evaluating energy efficiency potential in low-income households: A flexible and granular approach.” *Energy Policy*, Volume 129 (2019): 710-737. Available at: <https://doi.org/10.1016/j.enpol.2019.01.054>. See also: <https://www.energy.gov/eere/slsc/us-energy-efficiency-potential-maps>

C. Areas of Focus for FEECA Rulemaking

Accordingly, SEEA respectfully offers the following comments for the Public Service Commission's staff's consideration. There are four key areas the rulemaking could address to modernize FEECA and make significant headway on the issue of energy insecurity in the Sunshine State.

1. The Commission should establish reasonable and steadily increasing annual energy savings targets

In SEEA's eleven state region, commissions in both Arkansas and Virginia have the authority to establish energy savings goals. Similarly, FEECA grants this authority to the Florida Public Service Commission, stating that "The Legislature directs the commission to develop and adopt overall goals...". Under current practice, the Commission appears to be simply accepting or rejecting savings goals proposed by the utilities.

For more than a decade, Arkansas' Public Service Commission has incrementally increased energy savings targets over the course of a decade after considering the cases made by both the utilities and other stakeholders. In this three year cycle, electric utilities are achieving savings of 1.2% of their annual sales. Virginia is poised to meet or exceed these levels of savings over the next several years. These states join twenty-six⁹ of their peers who have adopted similar energy savings targets. Florida can take comfort in knowing that a majority of states have consistently and cost-effectively set energy savings targets that are on average six times greater than Florida's leading utilities are achieving.

By affirmatively establishing savings targets after considering robust analysis, policy considerations and other factors, the Florida Public Service Commission can provide a predictable business environment, help customers manage their bills and meet the legislative intent of FEECA.

There are free technical assistance resources available directly to the commission from organizations including Lawrence Berkeley National Laboratory, the Regulatory Assistance Project and others, should the commission staff wish to avail itself of outside expertise.

2. Build a Florida specific cost-effectiveness screen based on the guidance provided in the National Standard Practice Manual

⁹ ACEEE, State Energy Efficiency Resource Standards (EERS) May 2019. Available at <https://www.aceee.org/sites/default/files/state-eers-0519.pdf>

Florida's reliance on the Ratepayer Impact Measure (RIM) test not only has a significant impact on the perceived availability of energy efficiency but actually contributes to ratepayer energy burden. Florida's emphasis on the RIM test shifts ratepayer investment from energy efficiency, a lower cost resource, to more expensive capital investments that increase bills for all utility customers. The same applies to the two-year payback screen that has historically excluded cost-effective measures that can be bundled into larger programs making more energy efficiency available to customers.

First, the Rate Impact Measure is not a cost-effectiveness screen. As its name indicates, it evaluates the rate impacts of energy efficiency. Rate impacts are an important consideration but solely relying on them, particularly without understanding the size and distribution of the rate impacts, does not enable the Commission to properly determine whether it is approving a least-cost system. Appendix A of the National Standard Practice Manual provides a more detailed explanation of these issues.

Based on whether energy efficiency has benefits that outweigh its costs, Florida has more cost-effective energy efficiency available than any other state accordingly to a 2020 paper¹⁰ by Lawrence Berkeley National Lab. This research analyzed energy efficiency programs across 116 utilities nationwide and found that residential energy efficiency programs cost utilities 2.1 cents per kWh, a rate that outperforms many supply-side investments. Screening these resources out has the potential to increase costs for all customers.

It is also important to note that emphasizing low rates does not necessarily benefit customers, especially those who are energy insecure. According to an analysis by the U.S. Energy Information Administration, Florida, like many of its peer states in the Southeast has below average electric rates, but above average bills¹¹.

Instead of relying on cost-effectiveness screens that were developed when the Ewoks were helping Luke Skywalker destroy the second Death Star – 1983 for those keeping score – Florida can develop its own. The National Standard Practice Manual provides principles and a process by which Florida can establish a cost-effectiveness screen that is tailored to the conditions, priorities and other considerations specific to Florida far more appropriately than a single screen from the California Standard Practice Manual.

In the interim, Florida could adopt the position of many other states and utilize the Utility Cost Test as a primary cost-effectiveness test, which answers the question “will utility system costs be reduced?”.

¹⁰ Charles A. Goldman *, Ian Hoffman, Sean Murphy, Natalie Mims Frick, Greg Leventis and Lisa Schwartz, “The Cost of Saving Electricity: A Multi-Program Cost Curve for Programs Funded by U.S. Utility Customers,” *Energie* 2020 13(9) Available at https://eta-publications.lbl.gov/sites/default/files/manuscript.v9_nmf.pdf

¹¹ EIA, “Electricity prices are highest in Hawaii but expenditures are highest in South Carolina” Available at <https://www.eia.gov/todayinenergy/detail.php?id=34932>

Again, technical assistance and consulting are available should the commission staff wish to better understand how they can confidently achieve higher levels energy efficiency while saving all customers money through lower average bills.

3. Establish robust evaluation, measurement and verification coupled with performance incentives to create a win-win for utilities and customers.

The Public Service Commission and staff are rightly concerned about consumer protection and the potential for Commission decisions to negatively impact customers. A rigorous evaluation, measurement and verification (EM&V) regime can ensure that the Commission understands what energy savings customers are receiving, at what cost, that the utility is appropriately rewarded for meeting or exceeding performance targets and that programs are continuously improved to meet changing conditions.

Currently Florida does not appear to have standards for how utilities should measure their energy efficiency program performance. The U.S. Department of Energy's State and Local Action on Energy Efficiency Network (SEE Action) developed [educational and technical assistance resources on EM&V](#) that Florida could leverage to develop a Commission-approved approach.

For example, the development and maintenance of a Technical Reference Manual (TRM), a document that describes standardized EM&V assumptions, practices and values, could be helpful in ensuring that the seven FEECA utilities are able to evaluate and report their energy savings accomplishments in comparable ways, improving the Commission's understanding of utility performance and customer impact. In the Southeast, Arkansas has developed the most robust and updated TRM as well as a standardized annual reporting process enabling its commission and other stakeholders to easily compare performance among their seven regulated utilities.

EM&V can also provide data upon which to determine actual levels of freeridership, enabling the Commission to more precisely address this issue than through proxy methods such as the two-year payback screen.

4. Consider establishing minimum thresholds for investment in low-income energy efficiency programs.

At the beginning of these comments, SEEA described the ways in which energy insecurity is manifest in Florida. Commissions around the country have chosen to address this by ensuring that a certain percentage of with spending or savings are targeted at utility customers below a certain income threshold.

The staff's revised rules could include thresholds to ensure that those Floridians who need it most have sufficient access to energy efficiency programs to reduce their energy burden and insecurity.

As before Florida would be in good company if it chose to pursue this strategy, joining more than 20 states that have such requirements. These range from:

- establishing a “carve-out” or minimum spend level for income qualified programs (10-20%);
- creating a third-party-administered income qualified program (MA);
- requiring a certain percentage of savings to be delivered to income-qualified customers (PA); or even
- setting goals such as Connecticut’s, which aims to weatherize 80% of all income eligible homes by 2030.

The following table is illustrative of how states address this issue. The American Council for an Energy Efficient Economy maintains an energy efficiency [policy database](#) that provides more details on this matter.

Examples of states specifying Low-Income Energy Efficiency Targets ¹²			
Spending Thresholds	Proportional Spending	Savings Targets	Customer Participation Goals
<i>Require a certain amount spent on low-income EE programs (18 states)</i>	<i>Require spending that is at least proportional to ratepayer class (2 states: CT and MI)</i>	<i>Require a certain % of savings from low-income programs (1 state: PA)</i>	<i>Require certain level of participation from low-income sector (3 states: CA, CT, WA)</i>
<p>15-20%—DC, DE, MT, NH, NY</p> <p>10-15%—OR, MA, ME, NH, TX, VT</p> <p>5%—NM, NV, VA</p> <p><5%—MN</p> <p>Specific amount—IL, OH, MI</p>	<p>MI: Each customer rate class funding contribution to low-income programs be in proportion to that rate class’s contribution to the total portfolio</p>	<p>PA: Phase III of Act 129’s EE and Conservation Program requires each utility to obtain a minimum of 5.5% of total consumption reduction target from LMI sector</p>	<p>CT: Goal to weatherize 80% of all homes by 2030</p>

D. Energy Efficiency Rulemaking Framework

Florida is one of several states in the southeast with rules governing utility delivered energy efficiency programs. It is more unique in having governing legislation that provides the Commission with broad

¹² Email communication with Ariel Drehobl, January 12, 2021

authority to advance energy efficiency to address key aspects of the energy system. Florida's current energy efficiency rules, as well as staff's proposed revisions, appear to be narrower than both the authority provided under FEECA as well as the range of issues addressed by other states in the Southeast.

SEEA respectfully offers one example Florida could use as a framework for a more comprehensive rule revision. Louisiana's Public Service Commission staff issued a set of draft energy efficiency rules (Docket No. R-31106 – Phase II Draft rule, version 2) that holistically addressed the following issues (SEEA has included select elements that are most applicable to Florida and offered substantive recommendations where appropriate):

1. General Energy Efficiency Program Requirements
 - a. Broadly outlines the responsibilities and milestones utilities are expected to meet as they develop energy efficiency programs. In contrast to Louisiana's proposed rules for example, Florida's current rules do not include several common elements of energy efficiency program development, including evaluation, measurement and verification, performance incentives and stakeholder engagement.
2. Energy Efficiency Program Design Requirements
 - a. Describes the specific elements that utilities are required to include in their submitted program plans. Louisiana also chose to address cost-effectiveness as well as program administration, evaluation, measurement and verification in this section. SEEA will refer to its previous comments on cost-effectiveness and EM&V.
3. Cost-Recovery, Lost-Contribution to Fixed Costs and Energy Efficiency Incentives
 - a. This section provides an opportunity to clarify the way costs associated with energy efficiency are identified and treated. Commissions throughout the southeast most commonly address i) direct program costs, ii) lost revenues and iii) utility performance incentives. FEECA authorizes performance incentives, and most utilities in states with robust energy efficiency programs (AR, GA, NC, SC, VA) are permitted to earn performance incentives. The Commission could invite utilities to submit proposals for performance incentives or consider models from other states, such as Arkansas.
4. Program Budgets and Energy Efficiency Savings Targets
 - a. As commissions consider increasing the delivery of energy efficiency, they often provide utilities with clear timelines to achieving certain performance milestones, providing them with the clarity they need to build the infrastructure to serve their customers. These sections also establish the timing, sequence and frequency of key steps in the energy efficiency program development process such as goal-setting, program proposals, program delivery, reporting and other key issues. Importantly, this section establishes how savings targets are set in practice, an issue SEEA has previously addressed in these comments. This is an area that allows the Commission to direct utility energy efficiency spending in particular ways. For example, commissions have chosen to establish minimum spending levels for low-income energy efficiency programming (10-20%).
 - b. As addressed previously, Staff's proposed rule revisions depart from conventional practice in this area.
5. Filing of Energy Efficiency Plans, Annual Reports and Rate Redetermination
 - a. Florida's current and proposed rules both address program design consideration, by specifying the types of end use segments the utilities should consider in program design, the details to be submitted to the Commission and other related information. Should the Commission wish to establish different (e.g. focus on customer segments) or greater

detail, this section provides the opportunity to issue guidance to the utilities as they develop and propose their programs.

6. Working Group and Independent Monitor

- a. Drawing from best practice, Louisiana proposed hiring an Independent Monitor (IM) and convening an Energy Efficiency Working Group (EEWG). Based on the model adopted by the Arkansas Public Service Commission, the IM reviews the EM&V practices employed by utilities and their contractors to ensure alignment with Commission policy, recommends improvements, oversees the update of the TRM, and facilitates the EEWG to address orders issued by the Commission on all matters related to energy efficiency. The IM reports directly to the Commission's Florida could consider employing some or all of these practices to increase public and stakeholder engagement in its decision-making.

E. Conclusion

SEEA appreciates the opportunity to share its perspective on the role energy efficiency can play in Florida, as well as examples Florida can turn to for consideration. Energy efficiency, like many other aspects of our energy system is changing, and Florida's approach should naturally evolve to accommodate these changes.

In summary:

- Florida has the opportunity to align its energy efficiency rules with best or common practices in many other states particularly in the areas of:
 - Energy savings targets
 - Cost-effectiveness testing
 - Evaluation, Measurement and Verification, and
 - Specific goals for low-income energy efficiency programming.

SEEA encourages the Commission to consider hosting additional workshops to provide both the Commission and stakeholders the space needed to arrive and Florida-specific resolutions to these issues. The National Association of Regulatory Utility Commissions has recently issued a [guide on stakeholder engagement in regulatory proceedings](#) that the Commission could leverage.

Finally, several organizations are able to support the Florida Public Service Commission on various aspects of its rulemaking on energy efficiency. Please contact Cyrus Bhedwar at Southeast Energy Efficiency Alliance for more detail. He can be reached at cbhedwar@seealliance.org.