

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: November 23, 2021

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (Thompson, Ellis, King) *TB*
Division of Economics (Barrett) *JGH*
Office of the General Counsel (Trierweiler, Jones) *TLJ*

RE: Docket No. 20210121-EG – Petition for approval of modifications to demand-side management program plan and participation standards, by Duke Energy Florida, LLC.

AGENDA: 12/07/21 – Regular Agenda – Proposed Agency Action - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: La Rosa

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On August 30, 2020, the Commission issued an order approving Duke Energy Florida's (DEF or Utility) Demand-Side Management (DSM) Plan, and granted staff administrative authority to approve the associated program participation standards.¹ The DSM Plan included DEF's Neighborhood Energy Saver, Home Energy Check, and Residential Load Management programs. On July 2, 2021, DEF petitioned the Commission for approval to modify these three DSM programs.

¹Order No. PSC-2020-0274-PAA-EG, issued August 30, 2020, in Docket No. 20200054-EG, *In re: Petition for approval of proposed demand-side management plan, by Duke Energy Florida, LLC.*

According to DEF's petition, these modifications are pursuant to the Memorandum of Understanding (MOU) that was entered into by DEF, Vote Solar, the Southern Alliance for Clean Energy, and the CLEO Institute, as an agreement for the counterparties to forgo their opportunity to petition to intervene in DEF's limited proceeding to approve its 2021 settlement agreement.² The MOU was filed for informational purposes only and is non-binding on the Commission.

The Neighborhood Energy Saver program is a low-income residential program designed to assist neighborhoods where approximately 50 percent of households have incomes equal to or less than 200 percent of the poverty level. As part of this program, DEF or a third-party contractor will install energy conservation measures identified through an energy assessment of the customers' homes, and customers will receive energy education materials. The program conservation measures include energy efficient lighting, air sealing-infiltration control, water heater insulation wrap and hot water pipe insulation, water conservation shower heads and faucet aerators, heating, ventilation, and air conditioning (HVAC) filters, indoor wall thermometer, ceiling insulation upgrade, HVAC maintenance/tune up, duct repair, smart power strips, high efficiency heat pumps, high efficiency room air conditioners, and high efficiency central air conditioning. DEF is requesting approval to increase the program participation projection by an incremental 250 customers per year from 2022 to 2024.

The Home Energy Check program is a residential energy audit program that provides all program participants with an analysis of their energy consumption, and provides educational information on how to reduce energy usage to save money. Part of this program involves a home inspection to identify actions that the customer might take to reduce their energy consumption, and another part includes the distribution of energy efficiency kits. These kits include two 17-foot rolls of adhesive weather strip, a 10-pack of switch and outlet gaskets, a hot water gauge, a digital refrigerator thermometer, two nine-watt LED light bulbs, two faucet aerators, and one energy efficient showerhead. DEF is requesting approval to provide additional "Assistance Kits" to up to 20,000 low-income program participants per year from 2021 to 2024.

The Residential Load Management program is a residential demand response program where customers voluntarily allow DEF to reduce demand by controlling service to selected electrical equipment in a customer's home. As part of this program, customers are provided with a monthly credit that varies depending on the number of load management devices the customer has installed and their usage. DEF is requesting approval to provide \$30 gift cards to up to 1,000 low-income program participants, with accounts that are more than 60 days in arrears, each year from 2021 to 2022.

Staff notes that, based on DEF's DSM Annual Report for Calendar Year 2020, DEF surpassed its combined megawatt (MW) and gigawatt-hour (GWH) goals for 2020.³ Specifically, DEF exceeded its combined summer peak, winter peak, and annual energy goals by 168 percent (40 MW), 45 percent (17 MW), and 395 percent (60 GWH), respectively.

²Document No. 03685-2021, filed April 23, 2021, in Docket No. 20210016-EI, *In re: Petition for limited proceeding to approve 2021 settlement agreement, including general base rate increases, by Duke Energy Florida, LLC.*

³<http://www.floridapsc.com/Files/PDF/Utilities/Electricgas/ARDemandSide/2020/Duke%20Energy%20Florida.pdf>

On August 6, 2021, DEF petitioned the Commission for approval of its actual and estimated conservation cost recovery clause expenditures for 2021 and 2022 in the Energy Conservation Cost Recovery (ECCR) clause docket (Docket No. 20210002-EI), including the incremental expenses of the proposed program modifications described above.⁴ The Commission approved ECCR cost recovery clause factors for DEF on November 17, 2021, including recovery of \$955,503 in estimated incremental costs of these proposed program modifications.⁵ These projected costs are subject to adjustment in the 2022 ECCR docket, and DEF would be expected to address in its ECCR true-up filings any over- or under-recovery of the associated costs based on, among other things, the Commission's decision in this docket.

The Commission has jurisdiction over this matter pursuant to Sections 366.80 through 366.83 and 403.519, Florida Statutes (F.S.), collectively known as the Florida Energy Efficiency and Conservation Act (FEECA).

⁴Document No. 08858-2021, filed August 6, 2021, in Docket No. 20210002-EG, *Energy Conservation Cost Recovery Clause, by Duke Energy Florida, LLC. ("Actual/Estimated and Projection filing")*. DEF witness Cross identified an estimated expense of \$159,250 for costs in 2021 for programs associated with the instant docket, including an estimated \$129,250 in expense for the Home Energy Check program and \$30,000 for distributing 1,000 "Assistance Gift Cards" associated with the Residential Load Management program. Witness Cross also identified a projected 2022 incremental expense of \$796,253 for programs associated with the instant docket, including \$517,000 in expense for the Home Energy Check program, \$249,253 in expense for the Neighborhood Energy Saver program, and \$30,000 for the Residential Load Management program.

⁵Order No. PSC-2021-0427-FOF-EG, issued November 17, 2021, in Docket No. 20210002-EG, *In re: Energy conservation cost recovery clause*.

Discussion of Issues

Issue 1: Should the Commission approve, for cost recovery purposes, the modifications to DEF's demand-side management plan and participation standards as requested in its petition?

Recommendation: No. The modification to the Home Energy Check program should not be approved for cost recovery purposes because the modification is not cost-effective. The modification to the Residential Load Management program should not be approved for cost recovery purposes because the gift cards do not contribute to demand savings. However, this recommendation does not preclude DEF from making the modifications requested, and having the associated costs borne by its shareholders.

The Commission need not take any action at this time regarding the proposed modification to adjust the forecasted participation in the Neighborhood Energy Saver program because there is no participation cap on this program. If DEF chooses to modify this program's marketing efforts in order to increase participation in the specified years, it would be more appropriate for the Commission to review the associated costs in the ECCR Clause proceeding. (Thompson, Barrett)

Staff Analysis: Staff notes that the MOU discussed in the case background is the impetus for DEF's requested modifications to its Neighborhood Energy Saver, Home Energy Check, and Residential Load Management programs. The MOU was filed for informational purposes only and is non-binding on the Commission. These modifications were brought before the Commission in a petition to modify DSM programs; as such, the criteria used to review the appropriateness of DSM programs are: (1) whether the program advances the policy objectives of FEECA and its implementing rules; (2) whether the program is directly monitorable and yields measureable results; and (3) whether the program is cost-effective.⁶ Staff has reviewed DEF's petition and has evaluated the requested program modifications based upon these criteria.

Neighborhood Energy Saver Program

DEF requests to modify its low-income Neighborhood Energy Saver program to increase the projected program participation by an incremental 250 customers per year from 2022 to 2024. This value was determined through discussions with DEF's program management team about potential neighborhoods, and the ability of the field team to handle the additional workload. The additional program expense for this program modification is \$249,253 for 2022.

The request to increase the program participation by an incremental 250 participants from 2022 through 2024 is not a modification that requires Commission approval as there is currently no participation cap on this program. Program participation is voluntary, and utilities are responsible for marketing and monitoring these participation rates as necessary in order to meet the goals established by the Commission. This has been discussed in prior orders approving DSM programs as shown below:

The values presented above are DEF's projections based upon participation rates which may or may not occur. DEF will be responsible for monitoring actual

⁶Order No. 22176, issued November 14, 1989, in Docket No. 890737-PU, *In re: Implementation of section 366.80-85 Florida Statutes, Conservation Activities of Electric and Natural Gas Utilities*.

participation rates and seeking our approval, if necessary, to modify, add, or remove programs. If DEF is unable to meet our approved goals, the Company may be subject to appropriate action, up to and including financial penalties.⁷

Therefore, if DEF chooses to modify this program's marketing in the specified years, it may do so, and the associated costs would be more appropriately reviewed in the ECCR Clause proceeding.

Home Energy Check Program

DEF requests to modify its Home Energy Check program to provide "Assistance Kits" to up to 20,000 low-income customers per year from 2021 to 2024 that complete either an online or walk-through home energy audit. These kits would be in addition to the kits that are currently provided to program participants who receive either the walk-through, online, or phone-assisted audit, and would include measures that have less than a two-year payback. The measures to be included in the "Assistance Kits" are three nine-watt LED light bulbs, a smart power strip, and hot water pipe insulation. The additional program expense for this program modification is \$517,000 for 2022. No program expense has been incurred in 2021. However, if this modification is approved, DEF intends to extend the implementation of the "Assistance Kits" from 2021 through 2024, to 2022 through 2025.

The additional low-income customer "Assistance Kits" requested for inclusion in this program might otherwise meet the intent of FEECA in regard to helping to reduce the growth rate of peak demand and electricity consumption. However, staff recommends they not be allowed for cost recovery for two reasons.

First, because energy audits are required to be provided to all residential customers pursuant to statute,⁸ cost-effectiveness test results were not provided for this requested program modification. However, in response to Staff's First Data Request, No. 13, DEF stated, "None of the measures included in the "Assistance Kit" are cost-effective under the RIM test but will pass on meaningful bill savings to the recipients."⁹ In addition, there is no statutory requirement to target a particular class of customers in the offering of audits. Section 366.82(11), F.S., specifically states the following regarding the requirement to provide audits:

The commission shall require each utility to offer, or to contract to offer, energy audits to its residential customers. This requirement need not be uniform, but may be based on such factors as level of usage, geographic location, or any other reasonable criterion, so long as all eligible customers are notified. The commission may extend this requirement to some or all commercial customers.

Second, DEF currently has a low-income program in place, the Neighborhood Energy Saver program, in which the additional "Assistance Kits" may have been more appropriately included. In the Neighborhood Energy Saver program, DEF or a third-party contractor installs energy

⁷Order No. PSC-15-0332-PAA-EG, issued August 20, 2015, in Docket No. 150083-EG, *In re: Petition for approval of demand-side management plan of Duke Energy Florida, Inc.*

⁸Section 366.82(11), F.S.

⁹<http://www.floridapsc.com/library/filings/2021/09753-2021/09753-2021.pdf>

conservation measures identified through an energy assessment of customers' homes, and customers receive energy education materials. Although the kits may be more appropriate for inclusion in the current low-income Neighborhood Energy Saver program, this does not negate the fact that the kits are not cost-effective. In addition, the measures proposed for inclusion in the "Assistance Kits" are already included in either DEF's Home Energy Check or Neighborhood Energy Saver program.¹⁰

Based upon the reasons discussed above, staff does not recommend that the costs associated with the additional "Assistance Kits" be approved for cost recovery from the general body of ratepayers as part of DEF's Home Energy Check or Neighborhood Energy Saver programs. This does not preclude DEF from providing these "Assistance Kits" as part of either program at DEF's shareholders' expense.

Residential Load Management Program

DEF requests to modify its Residential Load Management program to provide \$30 gift cards to up to 1,000 low-income program participants, with accounts that are more than 60 days in arrears, each year from 2021 to 2022, for a total of up to \$60 per customer. DEF states that these gift cards could help customers pay their energy bills, and allow DEF to maintain the demand response resources associated with low-income program participants. The additional program expense is \$30,000 for 2022. No program expense has been incurred in 2021. However, if this modification is approved, DEF intends to make two annual \$30 gift cards available to eligible customers following approval.

In response to Staff's First Data Request, DEF indicated that customers have 21 calendar days to pay their bills. If payment is not received within this time frame, late notices are generated which provide five working calendar days to pay before a customer is eligible to be disconnected. The amount of outstanding liability, length of service, and credit history with the Utility aid in determining whether a residential cut-out ticket will automatically be generated. Delinquent accounts that are not automatically eligible for a cut-out appear on DEF's Cut List for review. Manual reviews are done between day one and day five of the account appearing eligible for cut. As of August 20, 2021, DEF had made a total of 117,661 customer disconnections since January 7, 2021, or 0.8 percent of DEF's total number of billed accounts. As inferred by the above, DEF retains discretion with regard to customer disconnections.

All participants in the Residential Load Management program receive a monthly bill credit of up to \$14.00 for allowing DEF to control service to specific electrical equipment during peak hours. The amount of this credit depends on usage, billing months, and which interruption schedules customers select. This program specifically serves to allow DEF to reduce its peak demand.

As noted above, DEF believes providing these gift cards could help those customers pay their energy bills, and allow DEF to maintain the demand response resources associated with these participants. However, staff believes that the offering of gift cards (or a bill credit) in no way advances the policy objectives of FEECA. Unlike the current credits being offered, for allowing

¹⁰Nine-watt LED light bulbs are already included in the program kit currently provided in the Home Energy Check program. Smart power strips and hot water pipe insulation are currently included in the low-income Neighborhood Energy Saver program.

DEF to control service to specific electrical equipment during peak hours, the gift card offering does not contribute to demand savings. While DEF may argue the modification could allow it to maintain demand response resources with this group of customers, the argument is flawed for several reasons. First, the gift cards can be used for purposes other than bill relief. Second, customers may leave the program at any time, including the day after they receive their gift card. Third, DEF's customer arrearages average more than \$30.¹¹ Therefore, the gift card, even if used toward the customer's bill, is unlikely to have a meaningful impact upon the amounts owed in arrears, and will not halt a disconnection or retain the customer as a program participant. Therefore, the gift cards would not guarantee continued demand savings from these customer resources.

Regarding the savings associated with the up to 1,000 existing program participants that would potentially be retained as a result of the gift cards, this results in approximately 1.43 MW or 0.36 percent of the program's total projected annual summer demand savings, and approximately 2.03 MW or 0.29 percent of the program's total projected annual winter demand savings, based on the savings values provided in DEF's petition. Therefore, if the demand response resources associated with these participants were lost, this would not have a large impact on the program's demand savings.

Due to the reasons discussed above, these gift cards should be considered charitable contributions, which are not costs that should be borne by the general body of ratepayers. As with the requested Home Energy Check program modification, this does not preclude DEF from having the costs associated with the gift cards borne by its shareholders. Furthermore, there are other resources for DEF's customers in need of financial assistance. For example, DEF's Energy Neighbor Fund combines donations from DEF's employees and customers, and the Duke Energy Foundation matches these donations up to \$500,000, and provides the proceeds to DEF's Energy Neighbor Fund agency partners. DEF provides customers in need with agency contact information through inbound calls to its Customer Care Center, through its website, and through outbound awareness campaigns. DEF can also reach out to agencies directly with the customer's permission, and inform the customer of which agencies DEF is contacting on their behalf. Resources of this nature would be proper avenues for providing voluntary financial assistance to customers in need.

Conclusion

The modification to the Home Energy Check program should not be approved for cost recovery purposes because the modification is not cost-effective. The modification to the Residential Load Management program should not be approved for cost recovery purposes because the gift cards do not contribute to demand savings. However, this recommendation does not preclude DEF from making the modifications requested, and having the associated costs borne by its shareholders.

The Commission need not take any action at this time regarding the proposed modification to adjust the forecasted participation in the Neighborhood Energy Saver program because there is no participation cap on this program. If DEF chooses to modify this program's marketing efforts

¹¹The average amount of arrearages per customer is approximately \$130.

in order to increase participation in the specified years, it would be more appropriate for the Commission to review the associated costs in the ECCR Clause proceeding.

Issue 2: Should this docket be closed?

Recommendation: Yes. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the PAA Order, a Consummating Order should be issued and the docket should be closed. (Trierweiler)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the PAA Order, a Consummating Order should be issued and the docket should be closed.