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April 25, 2011

Beth W. Salak
Director, Office of Regulatory Analysis
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399

Re: Docket No. 100160-EG (Progress Energy Florida)
[Commission Order No. PSC-10-0605-PAA-EG];
Docket No. 100155-EG (Florida Power and Light)
[Commission Order No. PSC-11-0079-PAA-EG]

Dear Ms. Salak:

Southern Alliance for Clean Energy (SACE) offers these comments and recommendations in response to Progress Energy Florida's (PEF) Original Goal Scenario and Revised Goal Demand Side Management Plan (DSM) plans filed on November 29, 2010 and Florida Power and Light's (FPL) Modified and Alternate DSM plans filed on March 25, 2011.

Our review of both companies' most recently filed DSM plans concludes that both PEF and FPL have unnecessarily excessive costs which indicate: 1) lack of developing new ideas on marketing programs and integrating new technologies into program design; 2) a failure to meaningfully incorporate lower cost efficiency programs – such as behavioral programs – into their DSM plans; and 3) a need to rebalance the portfolio to emphasize lower-cost efficiency programs. This conclusion is consistent with previous comments filed by SACE in the DSM dockets.

Unfortunately, neither company's revised DSM plans have addressed the excessive cost structure issues we identified in our earlier comments. Instead, PEF and FPL use these excessive costs to rationalize reducing the goals established by the Commission,[1] rather than using these many months of delay to improve the cost-effectiveness of their programs to meet the Commission's goals. A properly balanced DSM portfolio with cost-effective programs ensures that customers will get the most "bang for the buck" for every DSM dollar spent by PEF and FPL.

Progress Energy and FPL are re-litigating the FEECA proceeding

PEF and FPL have both submitted unsolicited "revised" and "alternate" plans to the Commission that would significantly lower the scale of the efficiency goals established by the Commission in December 2009. The clear focus of PEF and FPL is to lower their goals, not to strive to make their DSM plans more cost effective in meeting the Commissions goals. PEF's Revised Goal DSM Plan, for instance, is intended to meet "approximately 50%" of its original goal.[2] FPL informs the Commission that its Alternate DSM plan is "designed to meet the conservation goals originally proposed by FPL in Docket No. 080407-EG."[3]

In fact, as illustrated in Table 1, FPL has reduced the energy savings impact of its DSM plan by an amount that is greater than the reduction in the forecast rate impact. In short, FPL's "alternate" plan has become *less cost-effective*.

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[1] Commission Order No. PSC-09-0855-FOF-EG.
[2] Progress Energy Florida, *Proposed 2010 Revised Goal Demand Side Management Program Plan*, p. 5.
[3] Florida Power and Light, *Demand Side Management Plan of Florida Power and Light -Alternate Plan*, p.3.

Table 1. FPL and PEF DSM plans summary

	Energy Goal (GWh)	% Change in GWh	ECCR Cost ($B)	% Change in ECCR
FPL Modified Plan	3082	69% reduction	3.1	42% reduction
FPL Alternate Plan	943		1.8	
PEF Revised Plan	3087	54% reduction	4.2	57% reduction
PEF Modified Plan	1422		1.8	

Both companies have filed their "revised" and "alternate" DSM plans, that fall well short of the Commission's goals, to encourage the Commission to adopt these plans pursuant to §366.82(7), Fla. Stat. A reliance on the Commission's authority under this statute to re-litigate goals is misguided. The statute states in part:

> The commission may require modifications or additions to a utility's plans and programs at any time it is in the public interest consistent with this act. In approving plans and programs for cost recovery, the commission shall have the flexibility to modify or deny plans or programs that would have an undue impact on the costs passed on to customers. (emphasis added)

Were the Commission fully informed on options to modify or add programs to the companies' DSM plans, it would be straightforward to apply the public interest test. Some of the information that would be helpful to the Commission would be an analysis of alternative program design options, a discussion of the use of best practices, and how these programs compare for cost-effective program design with peer utilities in other states.

Imagine if the Commission were presented with a request to certify a new power plant without any analysis of alternative technology vendors, explanation of how construction costs would be controlled, or how other peer utilities costs compare with the proposed power plant. This type of analysis is, in fact, routinely presented in proposals to build new power plants.

The FPL and PEF DSM plans do not provide the Commission with any information by which to evaluate program design cost-effectiveness in any sense other than a comparison to the utility's avoided costs. Therefore, how is the Commission to modify or add individual programs to the plans to protect the public interest?

Furthermore, Commission Staff analysis thus far has not helped to inform the Commission in these respects. The public interest is best served when programs are scrutinized for cost-effective design. In fact, Legislature intended that such scrutiny would take place.

> The 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. (emphasis added) – §366.81, Fla. Stat.

Therefore, the DSM plan implementation phase contemplates an analysis of DSM plans for program design cost-effectiveness, not goal reduction. The goals have been set in a separate proceeding and an order issued by this Commission. While the Commission has the authority to deny plans that might have

an undue impact to customers, this authority does not apply when the undue impact on costs passed on to customers originates from poor program design, any more than the Commission should approve construction of a power plant that appears to have excessive costs.

The following comments more fully describe how needlessly excessive program costs deriving from poor program design place an undue burden on customers. While it is not our responsibility to develop improved programs for FPL and PEF, we do offer some guidance on how such a burden can be effectively addressed through thoughtfully designed programs that are based on best industry practices.

Excessive bill impacts persist

In SACE's December 2010 comment letter, we observed that Florida utilities are trying to reduce the rate impact of their energy efficiency programs with one tactic: reducing their energy efficiency plan goals. As stated in our December 2010 letter to the Commission staff,

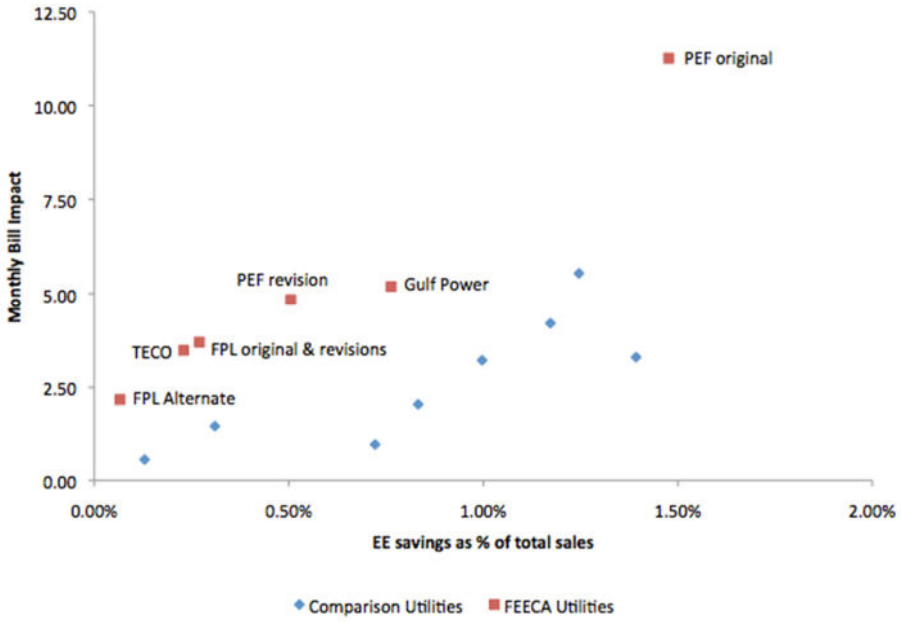
> Florida's utilities indicated in recent discovery that residential bill impacts will be on the order of 2-11%, not considering the bill savings to program participants. Our analysis strongly suggests that the bill impacts projected by Florida utilities are needlessly excessive.[4] However, we believe poorly designed programs are the reason for the excessive bill impacts.

This statement is still true and very relevant. As we have discussed in our past comment letters, the four large investor-owned utilities in Florida have proposed energy efficiency programs with a saved energy cost[5] of $0.29 – $1.09 per annual kWh saved. Application of best practices in energy efficiency portfolio development should enable every Florida utility to offer energy efficiency portfolios with a saved energy cost in the range of $0.10 – $0.40 per kWh. Below, in Figure 1, we updated our analysis of Florida utilities' residential bill impact to include FPL's revised and alternative energy efficiency plans. Overall, Florida's residential rate impact remains much higher than its peer IOUs.

[4] Staff may recall that its witness, Richard Spellman, discussed a Lawrence Berkeley National Laboratory (LBNL) study that estimated the long term rate impacts of implementing a "Significant Energy Efficiency scenario," defined as saving one percent per year of annual electric sales, would result in a "levelized rate impact of 0.83 percent over a 20-year period." Even a "Moderate" scenario of half that level, according to the LBNL study, results in a "levelized rate impact of 0.14 percent over a 20-year period." Direct Testimony of Richard Spellman, Dockets No. 080407-EG thru 080413-EG, Transcript Vol. 7, pages 1404-1631, August 13, 2009.

[5] As we have discussed in our previous letters to Commission staff, "saved energy cost" is simply the cost of the programs divided by the energy savings impact. For example, if the saved energy cost of a utility's portfolio is cut by 50%, there is no ambiguity: the monthly bill impact of the portfolio cost is cut by 50%.

Figure 1. Residential Energy Efficiency Programs: Bill Impacts vs. Program Impacts



Strategies to reduce bill impacts and increase energy savings

In our prior comment letters to Staff, we discussed a number of best practices that are available to Florida utilities. Implementation of these best practices could result in the utilities meeting their goals at a lower saved energy cost – and hence with lower bill impacts. Among the ideas we brought to the attention of the Commission staff were the use of behavioral programs, low-cost program design alternatives, and re-balancing the portfolio to emphasize lower cost programs. Below, we elaborate on these three approaches with further suggestions that could improve the cost-effectiveness of PEF's and FPL's DSM plans.

Behavioral Program

As SACE discussed in our July and December 2010 letters to Commission staff, behavioral programs offer a low cost alternative to incentive-only programs. Although behavioral programs have been operating for many years, the approach of inducing quantifiable changes in customer behavior to reduce energy use has recently gained more widespread acceptance. The American Council for an Energy-Efficient Economy (ACEEE) has convened three annual conferences to increase the understanding of the nature of individual and organizational behavior and decision-making as it impacts energy use.

Home Energy Comparison Report is a behavioral program that has been adopted by many utilities, including Gulf Power and Duke Energy. We were pleased that PEF and FPL have added home energy comparison reports in their portfolio since our initial comments in July.

Our major concern with PEF's new program is that its projected costs are not in line with industry norms. As illustrated in Table 2 below, PEF's program costs are much higher than either Gulf or APS.[6] We did not find any explanation for the higher cost.

[6] In its pilot year, APS proposes to serve about 9% of customers with this program. If successful, APS intends to propose expansion of the pilot program.

Table 2. Comparison of Home Energy Comparison Report program savings and costs

Utility / Program Year	Utility Program Cost ($ million)	Total Savings (million kWh)	Saved Energy Cost (¢/kWh)
Gulf / 2011	$ 0.36	10.5	3.4 ¢
Gulf / 2017	$ 0.23	6.0	3.8 ¢
PEF / 2011	$ 0.85	12.5	6.8 ¢
PEF / 2017	$ 1.15	12.5	9.2 ¢
APS / 2011[7]	$ 1.02	25.0	4.0 ¢

FPL's revised plan includes a home energy comparison type program on a pilot basis. However, the description of the Residential Proactive Energy Information Communications Research Project lacks cost or savings information and does not clearly explain why this project needs to be a "pilot" considering that many utilities have operated similar programs for several years. We anticipate cost data to become available through discovery requests and plan to provide useful feedback once we have adequate data to do so.

Since our original comments, SACE has continued to investigate behavioral programs such as the "Project Porchlight" program offered by One Change. One Change is a nonprofit that uses grassroots organization to implement energy and water conservation. The energy efficiency program, Project Porchlight, is unique because it leverages volunteers from local organizations to distribute energy efficiency technology (CFLs) to their neighbors and raise awareness of the other utility energy efficiency programs during the visit. Currently, One Change has utility clients in California, Washington, New Jersey, Vermont and several Canadian provinces.

The program is remarkably simple, and relies on the "word of mouth" of local volunteers. One Change organizes volunteers to canvass an area that is geographically close to where they live, and offer their neighbors a free CFL. The volunteers explain that "the catch" is that they must install the lamp in their household. One Change has found that this simple request puts people at ease, and enables a larger conversation about additional utility energy efficiency programs, tailored to the region's political and environmental thinking.

One Change has recently begun ramping up its measurement and evaluation. Its evaluation to date has a number of positive results including: participants are more likely to purchase CFLs in the future, the program stimulates conversation about energy conservation with friends and family; and participants have increased awareness of the Energy Star brand.

In addition, program participants touched by the Project Porchlight program are more likely to participate in future utility efficiency programs. In One Change's campaign in New Jersey, about half of the 1,000 of the face to face contacts that were touched by the program pledged to call and seek more information regarding the COOLAdvantage program (HVAC program that provides a 33% discount on new, efficient central air conditioning system). Also for New Jersey, but in a different county, the volunteers provide flyers and messaging about NJ Board of Public Utilities refrigerator and recycling to residents in Bergen County. Since the flyers were distributed, 25% of refrigerators recycled through the program were from Bergen County. Moving forward, One Change has developed a sophisticated data and mapping system to track if Project Porchlight participants sign up for utility energy efficiency programs based on the address.

[7] Arizona Public Service Company, Demand Side Management Implementation Plan for 2011, Arizona Corporation Commission Docket Nos. E-01345A-10-0219; June 1, 2010.

Project Porchlight can be a complement to the home energy comparison report programs such as the one proposed by PEF. Project Porchlight has several utility clients that also employ home energy comparison reports. One Change has found that while home energy comparison reports give consumers "official" information on their consumption, Project Porchlight provides customers with tangible solutions to reduce their energy consumption through a volunteer.

Re-balancing PEF's portfolio by increasing utilization of measures and implementing measures excluded from programs to reduce cost

There are a number of opportunities for PEF to increase the adoption of low cost measures that are already included in their programs, or include measures from their technical potential study in their energy efficiency programs. Below, we focus on three groups of measures: reflective roofs, low-flow showerheads and residential lighting.

Residential Reflective Roofs

According to the Cool Roof Rating Council:[8]

> A cool roof reflects and emits the sun's heat back to the sky instead of transferring it to the building below. "Coolness" is measured by two properties, solar reflectance and thermal emittance. Both properties are measured from 0 to 1 and the higher the value, the "cooler" the roof.

A well-regarded example of a widely available reasonable-cost cool roof product is the GAF-Elk Timberline Cool Series[9] energy saving asphalt composition roof shingles. They have been offered for over a decade and are ENERGY STAR qualified. Cool roofs can save an average 7%-15% of total building cooling costs (according to the Cool Roof Rating Council), more in warmer climates (an average of 19% or a range of 10%-40% per the Florida Solar Energy Center (FSEC)),[10] and reduce peak cooling demand (about 22% per FSEC). Cool roof products include a range of technologies, some more commonly used on commercial buildings, such as flat-roof white elastomeric membranes. These are well-tested, proven energy efficiency measures that should not be confused with some spray-on supplemental coatings for which poor performance has been reported due to installation failings or inadequate product capabilities.

PEF does include reflective roofing in its portfolio. The reflective roof measure in PEF's portfolio is described as "an incentive to install an ENERGY STAR or Cool Roof Rating Council Reflective Roof…" and is included in its Home Energy Improvement program.

Based on information in PEF's High TRC worksheet, this measure has an incremental cost of $0.27/square foot; costing the average household $650 (without an incentive) and saving the average household 1,300 kWh/year. Assuming rates are $0.10/kWh, this measure has a five-year simple payback.

As shown in Table 3 below, the savings generated in the utilities programs are between 1-3% of the technical potential for the reflective roof measure.

[8] The Cool Roof Rating Council (CRRC) is an independent, non-profit organization that maintains a third-party rating system for radiative properties of roof surfacing materials. For more information, see www.coolroofs.org

[9] www.gaf.com/Roofing/Residential/Products/Shingles/Timberline/Timberline-Cool-Series/Timberline-Cool-Series-Shingles.aspx

[10] www.fsec.ucf.edu/en/publications/html/FSEC-PF-293-95/, www.fsec.ucf.edu/en/publications/html/FSEC-PF-331-98/ and www.fsec.ucf.edu/en/publications/html/FSEC-CR-1220-00/

Table 3. PEF reflective roof energy savings and participation

Program	GWh	Participants SFH 2011-2019
PEF technical potential – single family home reflective roof measure 2011-2019	215.33	164,427
PEF HEI revised goal – single family home reflective roof measure 2011-2019	3.25	7,397
PEF HEI modified goal – single family home reflective roof measure 2011-2019	1.00	2,281

The primary reason for the disparity between the technical potential and the utility energy efficiency program savings is low adoption rates, not cost or free ridership. In PEF's DSM plans, it projects that 2- 7% of eligible households will adopt the reflective roof measure during the 2011- 2019 timeframe.

However, based on evidence from energy efficiency administrators,[11] different implementation models result in different adoption rates for the same product. For example, upstream incentive programs are programs that offer an incentive to a retailer or manufacturer that is "upstream" of the consumer. Upstream incentive programs are an alternative to downstream incentive programs, which are typically structured as rebates to consumers. As we discussed in our July and December 2010 letters, several utilities around the country, including JEA in Florida, implement upstream incentive programs. We believe that the reflective roofing measure would be an excellent product for an upstream incentive program.

Energy Solutions, a third party energy efficiency program administrator in California, has implemented a number of upstream energy efficiency incentive programs. One of Energy Solutions' clients shifted a HVAC program back and forth between an upstream and downstream (consumer) incentive from 1993 to 2010. During the seven years in which the program was a downstream incentive, the program influenced installation of less than 10,000 tons of equipment in each year. However, when the program shifted to an upstream incentive, the results were dramatic, with the company influencing installation of between 30,000 – 70,000 tons of equipment annually. The program also achieved consistent annual growth for four consecutive years when operated as an upstream incentive (and may have continued to grow without the recession).[12]

We are not aware that any energy efficiency program has tested offering upstream incentives for residential reflective roofing materials. However, the similar value chains in HVAC and roofing products lead SACE to believe that the idea is worth further investigation, especially if it has the potential to triple adoption at a potentially lower cost per kWh saved.

Low Flow Showerheads

Low flow showerheads provide energy savings by reducing the amount of hot water consumed in buildings. PEF only includes this measure in its low-income programs (Low Income Weatherization Assistance program and Neighborhood Energy Saver program) despite the measure being applicable for all income levels. Similarly, FPL only includes a low flow showerhead in its Residential Low Income Home Survey program.

[11] Not By Rebates Alone: Case Studies in Residential Market Transformation. Tanko, Clare Bressani, Allison ten Cate, David Gruener. ACEEE Summer Study on Buildings, 2010.

[12] Personal communication with Kitty Wang, Senior Program Manager, Energy Solutions in April 2011.

With low flow showerheads, PEF plans to save approximately 5% of the technical potential, and reach approximately 3% of eligible customers.

Table 4. PEF low flow showerhead energy savings and participation

Program 2011-2019	GWh 2011-2019	Participants 2011-2019
PEF technical potential –low flow showerhead	104	639,472
PEF LIWAP original goal – low flow reflective roof measure	0.3	1,760
PEF LIWAP modified goal – low flow showerhead	0.1	772
PEF NES original goal - low flow showerhead	5	31,829
PEF NES modified goal – low flow showerhead	3	19,771

As with the behavior pilot mentioned above, FPL has not provided detailed cost and savings information for its energy efficiency programs. When this information becomes available, SACE plans to provide thoughtful comments on it.

Xcel Energy in Colorado has a residential energy efficiency program just for low-flow showerheads (in addition to including them in their education/school program and low-income programs). The program is implemented through two third-party administrators; one who manages showerhead fulfillment, and another who completes follow up surveys to determine installation rates for EM&V.

In the spring and the fall, Xcel's Energy Efficient Showerhead program's administrator direct mails customers an offer for a free energy efficient showerhead. Customers have a limited amount of time to mail back the business reply card to receive the free showerhead. In 2010, 16% of customers who received a direct mail brochure signed up for the product, saving 1,451 MWh.

Clearly, PEF has an opportunity to offer its low flow showerhead measure beyond its low-income programs. If PEF achieved a response rate similar to Xcel (16% of PEF's eligible customers), PEF could achieve about 20 GWh of energy savings from 2011-2019. While 20 GWh is less than 1% of PEF's energy efficiency goals, this is a substantial improvement with just one additional measure that appears to have been overlooked.

PEF also has an opportunity to reduce the cost of this measure by implementing on a larger scale. In 2010, Xcel Energy's Low Flow Showerhead program saved 1,451 MWh and cost $801,596,[13] resulting in a $0.03 levelized cost of energy. PEF's LIWAP program's low flow showerhead has a levelized cost of energy twice that, at $0.06.

Residential Lighting

Residential lighting measures often create more savings than any other efficiency measure in utility portfolios. For example, in Duke Energy's residential energy efficiency program, lighting efficiency comprises about 90% of total energy savings. However, as we are all aware, beginning in 2012, the federal government is implementing a lighting efficiency standard that will increase the lighting baseline. This does not mean that there are not any energy efficiency opportunities left for residential (or commercial) lighting efficiency.[14]

[13] Colorado Xcel Energy Roundtable Meeting February 11, 2011. Q4 Achievement table.

[14] Defining a Framework for Comprehensive Commercial and Residential Lighting Programs. Baldacci, Kate, Eileen Eaton, Rebecca Foster, Margaret Song, Dan Mellinger, Liesel Whitney-Schulte. ACEEE Summer Study on Buildings 2010.

In fact, a variety of utilities are continuing their lighting efficiency programs by embracing the federal lighting standard and offering customers more than just CFLs.[15] In Massachusetts, efficiency service providers are piloting a comprehensive lighting retrofit program where any lamps or light configuration is eligible for an incentive, as long as it is more efficient than the existing design. At Xcel Energy in Minnesota, the company offers customers two ways to purchase efficient lighting. First, Xcel works with CFL bulb manufacturers and retailers to provide instant rebates that allow consumers to purchase bulbs for $0.99, for a limited time. Xcel also gives customers the option of ordering CFLs and other energy efficient lighting through a third party vendor at competitive prices. Customers can order the bulbs via mail, phone, internet and fax. Xcel plans to continue to offer customers the option of purchasing custom CFL bulbs that are not part of the federal lighting standard. Pacific Gas & Electric in California is moving beyond CFLs by offering incentives on LED fixtures and systems (for example in recessed cans, under cabinet lighting, decorative fixtures, porch and outdoor fixtures, kitchens, bathrooms and ceiling fans). They also plan to support dimmer-controlled light fixtures that are compatible with CFLs and LEDs.

PEF's original goal program does not include a standalone residential lighting program. It did, however, include a variety of lighting measures in its low-income programs (Neighborhood Energy Saver, Low Income Weatherization Assistance Project) and technical potential program.

In PEF's revised goal plan, it created a Residential Lighting Program, and provided program level cost and energy savings data, but did not provide measure details (beyond identifying that the program would target CFLs and other ENERGY STAR lighting products). It is difficult to evaluate whether these cost and energy savings forecasts are reasonable without measure level data. Expanding PEF's residential lighting program to cover CFLs, fluorescent fixtures, LEDs, and LED fixtures would put PEF in a good position to continue to achieve verifiable energy efficiency savings from residential lighting after the federal lighting standard is enacted.

Recommendations

We hope to see Florida's utilities expeditiously implement meaningful energy efficiency programs – but in order to be sustainable, those programs must meet the Commission's goals at the lowest practical cost.

Goals should not be reduced

While some appear to be re-litigating the goals proceeding, SACE has refrained from emphasizing the justification for even higher energy efficiency goals that we advocated during the prior proceeding. While it is within the prerogative of the Commission to approve portfolios that are unlikely to achieve its goals, it should only consider such a step after it has been shown that all program options have been exhausted to meet the goals at a reasonable cost.

We are not convinced that the PEF Revised Goal Plan is anything more than a re-litigation of the goals proceeding. PEF fails to consider full adoption of cost-effective programs, such as offering low flow showerheads to all customers, exploring alternative implementation models for cost-effective measures like reflective roofs, or offering a range of residential lighting technologies beyond CFLs.

Similarly, there is no need to reduce the goals established for FPL in order to reduce customer bill impacts to reasonable levels. The FPL plan is quite similar to the recently approved TECO plan in terms of cost and impact (see Figure 1). Customers of Florida utilities should not overpay for energy efficiency programs at any level of service. Allowing Florida utilities to overcharge for energy efficiency programs at a lower level of service does not address the fundamental problems in these proposed plans. As we suggest above, there is ample basis for Commission staff to suggest modifications and additional programs that Florida utilities could implement in order to meet the goals established by the Commission.

[15] Consortium for Energy Efficiency, Summary of Residential Lighting Programs in the United States and Canada, April 2010.

If, however, the Commission staff decides to recommend reducing any specific goals in an effort to control bill impacts, we recommend that the Commission staff also recommend increasing other goals that can be met without increasing bill impacts. In its original plan and again as part of its "Revised Goal Plan," PEF has proposed programs that would exceed its non-residential goals.

We would suggest that re-balancing goals across customer sectors would be preferable to reducing overall goals. Reducing energy efficiency goals would require the acquisition of more costly generation resources to meet this additional demand, as it has already been established in the FEECA goals proceeding that these energy efficiency programs cost less than the benefits of avoiding generation costs.

Programs should be expedited

In the interest of avoiding delay, Commission staff could recommend approval of programs that appear to be either well-designed or have the potential to be well-designed if modified based on Commission direction or early program experience. Staff has appropriately begun with an analysis of the standard cost-effectiveness test required by the Commission for all utility plans. We encourage Commission staff to press for further efforts to improve plans to reduce costs without reducing customer benefits. An approach that looks singularly at the rate impact could fail to similarly emphasize the "cost-effectiveness" of the programs; which is "critical" pursuant to § 366.81, Fla. Stat. We urge Commission staff to provide the Commission with information to determine if programs are well designed with best management practices, if costs are within national norms (or have some valid reason for operating at a higher cost). For those programs that meet those criteria, we urge the Commission staff to expedite approval so that the utilities may begin offering these services to customers immediately.

Costs should be reduced

However, if the criteria described above are not met, we urge the Commission staff to provide the Commission with ways that it may modify those programs pursuant to § 366.82(7), Fla. Stat. In general, it appears to us that the costs associated with many of the programs proposed by Florida's utilities are excessive. The challenge to Commission staff is that the problems are deeply embedded within the program design process used by the utilities, and cannot be easily extracted and addressed.

Commission staff has the opportunity to recommend that programs be modified, portfolios be re-balanced, and new programs be added to the utility program. If a utility is unwilling or unable to develop new programs, we suggest that the Commission could direct that utility to issue an RFP for energy efficiency program services under direct Commission supervision, and outsource the remaining portion of its goals to vendors who offer energy efficiency programs at competitive costs.

Utilities may need a financial incentive to control costs

We also recommend that the Commission staff reconsider whether to recommend to the Commission that it request proposals for implementing the financial incentive mechanism authorized in Section 366.82(9), Fla. Stat. consistent with the 50 basis point cap, but also incorporating measures to address net lost revenues and a performance-based mechanism that rewards cost control and verified customer savings. We speculate that an underlying issue is that Florida utilities are expected to offer highly complex DSM programs that can potentially result in under recovery of their revenue requirement, without any profit opportunity.

Thank you for taking the time to consider our comments. We would be pleased to expeditiously provide relevant workpapers and documentation to the staff or any party, to the extent it is reasonable, in the interests of advancing understanding of the utilities' plans.

Sincerely,

John D. Wilson

Director of Research