

### 3. FLORIDA

(1999 Utility Statistics from [www.eia.doe.gov](http://www.eia.doe.gov))

Population (2001 Census Estimate):	16,396,515
Net Summer Capability (MW)	40,940
Electricity Consumption (MWh)	193,394,452

	Investor Owned	Public	Federal	Coop- erative	Total
Number of Utilities	5	32	0	16	53
Percentage of Retail Sales	76.9	16.1	0	7.0	100.0

Program Name: Demand Side Management (DSM) programs  
Mechanism: Conservation program costs recovered in rates.  
Creation: 1980 Florida Energy Efficiency and Conservation Act (FEECA)  
Administration: Electric Utilities with sales of 2000 GWh or more  
Duration: New goals and plans every 5 years; no sunset  
Budget: \$245-250million/year  
Benefit Cost Test: Rate Impact Measurement Test  
Incentives: Lost Revenue Recovery and other incentives on a case-by-case basis for specific measures. Cost Recovery.

#### Survey Questions

##### 1. Process and timeline

In 1980 the Florida Energy Efficiency and Conservation Act (FEECA) was enacted requiring many electric utilities to adopt cost-effective conservation programs. The law has undergone minor modifications regarding utility size and goal-setting.

##### 2. Organizational structure

Currently seven of Florida's integrated electric utilities are required to meet the FEECA standards. This includes 5 IOUs and 2 municipal utilities, which together are responsible for 87% of the state's total electric sales. The Florida Public Service Commission (PSC) sets DSM goals every five years for each utility, after reviewing utility goals and plans. The utilities develop, administer and implement DSM programs to meet goals set by the PSC. The utilities report DSM activities annually to the PSC. The PSC determines annually which programs will be eligible for cost recovery. The PSC must prepare an annual report to the legislature summarizing FEECA activities.

### 3. Funding mechanism

The utilities propose programs to meet the MW and MWh goals set by the PSC. The PSC approves cost-effective programs and allows costs to be recovered, in a manner similar to a fuel adjustment clause. Once programs are approved, utilities "true up" the program costs annually.

\$245million in DSM expenditures was approved for cost recovery in 2000. There are no set limits or budget amounts for administration.

### 4. Degree of association with a long run resources plan

The five-year MW and MWh goals determined by the PSC are set in the context of other statutory PSC responsibilities, such as determining the suitability of electric utility Ten-Year Site Plans. These plans provide forecasts of future electric load requirements and the resource mix planned to meet those needs.

### 5. Guidelines for program effectiveness and success

FEECA emphasizes cost-effective programs that:

- Reduce the growth rates of weather-sensitive peak demand;
- Reduce and control the growth rates of electricity consumption; and
- Reduce the consumption of expensive resources such as petroleum fuels.

According to the PSC, cost-effective DSM programs will reduce current production cost, defer the need for future power plant construction and improve reliability.

The PSC sets specific numeric goals for each utility in both the residential and the commercial/industrial sectors in the following areas:

- Winter MW reduction goals;
- Summer MW reduction goals, and
- Annual GWh reduction goals.

### 6. Pre-implementation program evaluation guidance

The PSC requires utilities to show that DSM programs meet the Rate Impact Measurement test for cost-effectiveness. All utility ratepayers must benefit from the programs, not just the ratepayers participating in the programs.

Due to the cost-effectiveness test used, load management programs are favored over energy efficiency expenditures. In recent years, about 70% of expenditures went towards load management and 30% to energy efficiency.

## 7. Results of program evaluation

The utilities self-report their results to the PSC. There is no independent auditing. The five utilities with goals in 2000 reported the following goals vs achievements:

	Goals	Achievements
Winter MW Reductions:	226.8 MW	172.7 MW
Summer MW Reductions:	213.6 MW	197.0 MW
GWh Reductions	219.6 GWh	258.6 GWh

One utility met all its goals. The primary reasons given for unmet goals were programs needing more time than expected, or participation being less than expected. Some utilities requested PSC approval for program modification, others improved marketing. Most expected to meet goals in 2001.

## 8. Financial or performance incentives

IOUs are allowed to recover “prudent and reasonable expenses” for PSC-approved DSM programs through the Energy Conservation Cost Recovery clause. To recover costs, utilities must present evidence that the programs are cost-effective. Since 1981, IOUs have recovered over \$3.2billion of DSM program expenditures. In 2000, the five IOUs recovered total expenditures of \$245.2million.

According to the 2001 Annual Report, in 1994, the PSC “voted to allow for case-by-case consideration of lost revenue recovery and incentives through the Energy Conservation Cost Recovery Clause for a specific group of DSM measures. These measures include solar, renewables, natural gas substitution, high efficiency cogeneration, and other DSM programs that have significant savings but exert negligible upward pressure on rates.”

## **Issues and Special Situations**

### Consumer Awareness/Branding

The PSC’s Bureau of Consumer Outreach supplies consumers with comprehensive information about energy conservation and the conservation efforts of Florida’s electric and gas utilities. The PSC website is utilized for this purpose.

### DSM Goals Decreasing

In the most recent goal-setting proceedings (1999-2000), the utilities’ numeric goals decreased substantially. According to the Annual Report there were several reasons for this. The primary reason was that the cost of new generating units had dropped substantially in the previous five years. This reduced the value to all ratepayers of programs deferring generating capacity. In addition, some DSM programs had reached a saturation level, which reduced the future market

potential of those measures, again reducing their cost-effectiveness.

In 2000 the PSC set the DSM goals for the two municipal utilities at zero because the utilities could not identify any additional cost-effective DSM programs to offer.

Utilities can file a petition before the PSC requesting changes to their DSM programs. In the Annual Report, the PSC noted several petitions had been received from the IOUs to change or discontinue programs due primarily to reduced generating costs.

## **Programs**

A detailed listing of programs can be seen at the PSC website. Here is a summary list:

- Energy education and audits: Florida Statutes require that energy audits be available to all residential customers.
- Efficient Equipment Replacement Programs: rebates or low interest loans for high efficiency equipment purchases.
- Building Envelope Programs: rebates or low interest loans for improvements that decrease the load on heating or air conditioning equipment.
- Load Management and Interruptible Service: customers receive a reduced rate or a monthly incentive in exchange for allowing the utility to control when certain electric appliances are available for use. PSC staff think Florida may be the leader nationally in both percent of load and actual MW under direct utility control.

## **Resources**

Florida Public Service Commission

850-413-6344

[www.floridapsc.com](http://www.floridapsc.com)

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Division of Economic Regulation, Florida Public Service Commission, *Annual Report on Activities Pursuant to the Florida Energy Efficiency and Conservation Act As Required By.....Statutes and the Biennial Report on the Florida Energy Conservation Standards Act As Required by.....Statutes*, February, 2002. Available from the PSC. The 2003 Report should be available soon.

Legal Environmental Assistance Foundation

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