American Council for an Energy-Efficient Economy
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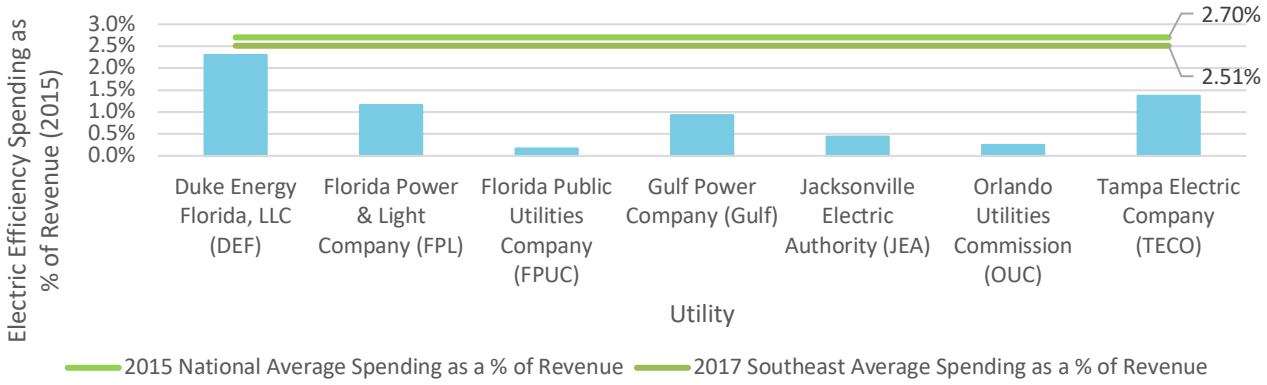
Utility-Sector Energy Efficiency Performance in Florida

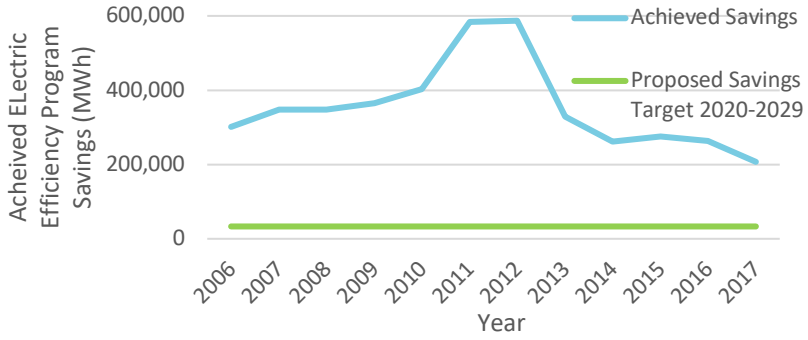
Electric utilities play a critical role in delivering energy efficiency programs to Florida's families and businesses, but require support from state regulators to enable these investments. The Florida Energy Efficiency and Conservation Act (FEECA) calls on utilities to set goals every five years, but recently plans for energy efficiency programs have shrunk to almost nothing, depriving customers of the programs needed to manage electric bills and lower system costs.[i] Fair application of cost-effectiveness tests, elimination of unnecessary payback screens, and a focus on delivering programs to low income customers would enable greater levels of energy savings across the state.

ELECTRIC EFFICIENCY PROGRAM PERFORMANCE

Energy and demand savings are the ultimate goal of utility energy efficiency investment, and both savings and spending are strong indicators of a utility and state's energy efficiency performance. As shown in the chart below, Florida utilities' historic energy efficiency spending falls well below both national and Southeastern averages. Florida utilities also fall behind their Southeastern and national peers for savings. The investor-owned utilities subject to FEECA rules saved on average only about 0.22% of retail sales in 2015 compared to a national average of 0.89%, about 4 times greater. Further, only five states saved less electricity than Florida in 2017.[ii]



This pattern worsens in the utilities' recently proposed electricity savings targets for the for 2020-2029 period. For the whole 10-year cycle, FEECA utilities propose 332,023 MWh in savings from electric efficiency programs, which is only 60% more than the savings achieved in just the year 2017. Further, four FEECA utilities set electricity savings goals of zero, claiming that no programs pass the RIM test, which is a measure of already-sunk utility system costs rather than economic efficiency.



ELECTRIC EFFICIENCY REGULATORY POLICIES

Florida Electric Efficiency Goals. FEECA requires seven Florida utilities to establish cost-effective energy efficiency programs and conduct energy audits.[iii] Energy savings targets set at the state or utility level are important to achieve high energy savings. But in Florida, the FEECA framework doesn't push utilities to deliver energy savings. FEECA 2015-2024 savings goals are just 13% of 2010-2019 targets, and the 2020-2029 goals shrink even more. FEECA utilities are currently required to educate low-income customers on energy efficiency opportunities, but the Commission does not require them to meet spending or savings levels – and utilities that offer few or no programs are certainly not serving these customers.

Cost Effectiveness Testing. Florida uses three of the cost-effectiveness tests in the California Standard Practice Manual: the total resource cost test (TRC), participant cost test (PCT), and ratepayer impact measure test (RIM). However, in practice, the Sunshine State is one of the only states to still rely heavily on the RIM test which looks at rate impacts rather than the complete costs and benefits of energy efficiency. This test treats lost sales revenue as a cost and is not a good indicator of a program's cost effectiveness in terms of reducing total future costs. The RIM test is inconsistent and unfair in testing energy efficiency programs, failing to capture the complete costs and benefits of energy efficiency for both the utility and the customer. It is not applied to other supply side investments, which would also fail the RIM test because they require utilities to account for the additional costs of infrastructure investments by increasing rates.[iv] Lastly, Florida utilities apply a two-year payback screen to eliminate efficiency measures with a financial payback of two years or less on the assumption that customers will adopt such measures on their own.

Utility Business Model. Florida's utility business model discourages utilities from investing in energy efficiency. State regulators can better align utility business models and energy efficiency with three types of tools: program direct-cost recovery, decoupling mechanisms, and performance incentives. While Florida utilities may request decoupling or a lost revenue adjustment, they have not done so and Florida regulators have not developed mechanisms for utilities to earn a financial incentive for investing in energy efficiency.[v]

Opportunities to Expand Energy Savings

Florida policymakers, regulators, and utilities have several opportunities to deliver electric savings and other benefits to customers. State and local policies could **establish clear energy savings targets and incentives** that promote energy savings with provisions that include low-income customers. To expand on current low-income customer education programs, FEECA utilities could also **propose new or expanded low-income programs**, and the Commission could **enact spending or savings carveouts for low- to moderate-income programs** in their portfolios to encourage participation from these community members. In addition, the Commission could **eliminate the RIM test** as it is flawed in terms of cost-effectiveness testing for electric efficiency programs. It could modernize cost-effectiveness testing by focusing on the entire utility system through the utility cost test (UCT) or by using tools like the NSPM to ensure cost-effectiveness testing aligns with state policy. Lastly, the Commission could **eliminate the two-year payback screen** as it blocks low-cost, easy to implement energy efficiency measures. This unnecessary screen discourages low-income participation and investment in energy efficiency.

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[i] Florida Power & Light, Duke Energy Florida, Tampa Electric Company, Gulf Power Company, Florida Public Utilities Company, Jacksonville Electric Authority, and Orlando Utilities Commission.
[ii] Berg et al. 2018
[iii] 2018. "State and Local Policy Database: Florida." https://database.aceee.org/state/florida.
[iv] 2018. "ACEEE Comments to the Arizona Corporation Commission." https://aceee.org/sites/default/files/comments-acc-rim.pdf.
[v] Ibid.