

SUMMARY OF STATEMENT
LEE COUNTY ELECTRIC COOPERATIVE, INC.
PURPA HEARING
JULY 1, 2009

Mr. Ryan:

Thank you all for coming here today. I'm here to offer testimony on behalf of LCEC staff, first regarding the background of PURPA.

On December 19, 2007 Congress issued the Energy Independence and Security Act of 2007, or EISA 2007, which includes updates to the Public Utility Regulatory Policies Act of 1978. Included in those updates is a requirement that each state regulatory authority and each non-regulated electric utility with retail sales greater than 500 million kilowatt hours shall consider four new standards proposed in the EIAS 2007 in a public process and within certain defined time lines.

Lee County Electric Cooperative, or LCEC, is considered a non-regulated utility under EISA 2007.

In accordance with this directive, LCEC staff has reviewed existing practices and has provided comments for consideration by LCEC's Board of Trustees as part of a public process regarding the proposed standards.

The procedures for that public process followed a schedule of events and activities in the following order: Notice posted on November 25, 2008, posting on the LCEC website; the abbreviated notice in the January, 2009 LCEC newsletter to all customers; initial comments that were due by February 17, 2009; reply comments that were due March 31, 2009; request to participate in public hearing, which was offered until May 29, 2009; the public hearing which is being held today, July 1, 2009; and then LCEC's Board of Trustees will offer a determination or render a determination on or before December 19, 2009.

Each of the standards is to be evaluated in the context of the stated purpose of PURPA, which is to encourage conservation of energy supplied by electric utilities; optimal efficiency of electric utility facilities and resources; and equitable rates for electric consumers. A primary responsibility of the regulatory body considering the implementation of these standards is to determine whether implementation is appropriate in order to carry out the provisions.

The first goal focuses on retail energy users and promotes conservation by end-use consumers. The second goal applies to electric utilities, their use of energy, and the facilities they utilize to deliver energy. The third goal recognizes the need for proper development and administration of retail rates, providing a check and balance relative to the other two goals, so that the programs, policies, and rates employed by electric utilities

to achieve the first two goals reflect their associated costs and are not arbitrary, unfair or unduly discriminatory.

The LCEC Board should make its determination regarding each PURPA standard based on whether or not, given LCEC's particular circumstances, that standard will accomplish any one or more of those purposes, without harming LCEC's ability to accomplish the others. If implementation of a standard adversely impacts even one of the three goals, LCEC's Board may decline to implement that standard.

The purpose of my testimony today is to briefly state the practices at LCEC and enter comments regarding the four new PURPA standards on behalf of LCEC staff.

I would like to enter into the record the initial staff comments regarding the four PURPA standards. There being no comments filed by other interested parties, I have no other comments to enter into the record.

In the initial comments, further information and explanation of LCEC's practices and considerations were explained in much greater detail; but I will offer a summary of those comments for each standard.

The first is Integrated Resource Planning. The term Integrated Resource Planning generally refers to a comprehensive planning process intended to systematically consider appropriate supply-side (i.e., power plants) and demand-side (i.e., demand management, energy efficiency/energy conservation) resource options to meet current and future system electric demand and energy requirements within the context of an electric utility's policy goals and objectives.

As an electric distribution utility that purchases its power under wholesale power contracts, LCEC has limited ability to make an independent determination regarding the complete implementation of this standard. However, LCEC can address the adoption of this standard from a demand-side perspective. As such, in light of LCEC's past, current, and planned energy-efficiency activities, Staff concludes that LCEC, to the extent it is able to do so as an electric distribution utility, has already integrated energy-efficiency resources into the demand-side integrated resource planning, and has adopted policies establishing cost-effective energy efficiency as a priority resource.

The second standard to consider is Rate Design Modifications to Promote Energy Efficiency Investments. LCEC's residential service rate is structured with a three tier inverted block rate that encourages energy conservation and energy efficiency by charging step-wise higher amounts as energy consumption increases. This current structure of LCEC's retail rates, and specifically the inverted block rate, provide some degree of encouragement for energy efficiency in that the consumer's energy cost increase with increased usage, and conversely decreases with decreased usage, with a readily apparent price signal. Also included in this standard is the policy to offer home energy audits, demand response programs, publicize the financial and environmental benefits associated with making home energy-efficiency improvements, and educating

homeowners about all existing Federal and State incentives, including the availability of low-cost loans, that make energy-efficiency improvements more affordable. LCEC has many demand-side programs that directly promote energy efficiency to its members.

These include:

- On site residential and commercial energy audits;
- On-line residential and commercial energy surveys;
- Good Cents Home certification program for building new energy efficient homes;
- Customer education on energy efficiency on website, newsletters, and outreach opportunities;
- Residential load management;
- Interruptible rate load management;
- Distributed generation for critical peak reduction.

In summary, the process of electric utility rate design is a dynamic, ongoing process that strives to achieve the major goal of meeting the utility's total revenue requirements while sending proper price signals and balancing multiple objectives. Though energy efficiency has always been one of the acknowledged principle objectives of ratemaking, there is no doubt that it will have an increasing influence on that process. LCEC has already taken steps to charge retail rates that reasonably align utility incentives with the delivery of cost-effective energy efficiency and promote energy efficiency investments pursuant to the stated policy options.

The third Standard is consideration of Smart Grid Investments.

Although this standard is not specifically directed to non-regulated utilities and LCEC cannot direct State action or implement this standard for other utilities, LCEC is including this standard in its EISA 2007 PURPA consideration process because the factors in the standard are prudent and applicable to its business, with the caveat that LCEC's ability to implement this standard is limited to its own electric distribution system grid. Furthermore, LCEC's consideration of this standard is restricted to Section (16)(A), Cost effectiveness, improved reliability, security and societal benefit, since Sections (16)(B), rate recovery, and (16)(C), obsolete equipment, are not relevant due to the organizational structure of LCEC.

LCEC has already made extensive investments in smart grid technologies. LCEC has invested in a Supervisory Control and Data Acquisition system, Automated Metering Infrastructure (AMI), GIS mapping, Outage Management System, and other advanced system communication capabilities. LCEC's last substation project included conversion of existing relays to “smart relays” that provide advanced line protection capabilities, which better enable LCEC to address the growing complexity of its distribution system, including the interconnection of consumer-owned renewable distributed generation.

LCEC has deployed a power line carrier two-way automatic communications AMI system in its service territory.

LCEC will continue to evaluate smart grid options based on appropriate factors, and deploy such investments when LCEC determines that the member-consumers will receive sufficient value from such investments.

The last standard to consider is Smart Grid Information. This standard attempts to empower consumers with more detailed and timely information regarding the cost and amount of their electric energy usage. As worded, however, the information set forth in the standard is simply not currently available.

At present, a real-time wholesale electricity market does not exist within the FRCC region where LCEC's system resides. This means that there is not a real-time clearinghouse price for electricity which would be meaningful or reliable for handoff to retail consumers as an adjunct to real-time energy pricing programs.

The information regarding pricing and usage “on not less than a daily basis” is not currently available via LCEC's existing metering and communications system.

In regards to providing consumers and other interested persons with information on the sources of generation and the associated greenhouse emissions, this information could only be provided by LCEC if it were made available through LCEC’s wholesale power supplier.

At some future date, LCEC may have access to the type of detailed and timely energy usage and pricing information set forth in this standard, and further may possess the necessary communications technology to provide such information to its consumers. For the present time, however, LCEC has neither the information nor the technology necessary to do so, and thus the only portion of this standard that LCEC is able to implement is Section (17)(B)(iv) through links to websites of LCEC’s wholesale power supplier(s).

I certainly appreciate the opportunity to enter this information into record; and, with that I’ll conclude my testimony.