

11/14/96  
0007

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 In Re: Conservation Cost Recovery Clause

3 DIRECT TESTIMONY OF WILLIAM B. GRAY

4 On Behalf of

5 WEST FLORIDA NATURAL GAS COMPANY

6 DOCKET NO. 960002-EG

7 Q. Please state your name, business address, by whom you are employed, and in  
8 what capacity.

9 A. My name is William B. Gray, and my business address is 301 Maple Avenue,  
10 Panama City, Florida 32401. I am employed by West Florida Natural Gas Company  
11 ("West Florida") as Director of Accounting.

12 Q. Are you familiar with the energy conservation programs of West Florida and costs  
13 which have been, and are projected to be, incurred in their implementation?

14 A. Yes

15 Q. What is the purpose of your testimony in this docket?

17 A. The purpose of my testimony is to present data and summaries concerning the  
18 planned and actual accomplishments of West Florida's energy conservation  
19 programs during the period October 1, 1995 through September 20, 1996. Data  
20 related to calculation of the true-up for this period is also included.

21 Q. Have you prepared summaries of West Florida's conservation programs and the  
22 costs associated with these programs?

23 A. Yes. Summaries of the six programs in connection with which West Florida incurred  
24 recoverable costs during the period October 1, 1995 through September 30, 1996 are  
25 contained in Schedule CT-6 of Exhibit WBG-1. Included are our Residential

1 Home Builder Program; Residential Electric Resistance and Oil Heating Replacement  
2 Program; Energy Savings Payback Program; Natural Gas Water Heater Load  
3 Retention Program; Natural Gas Space Conditioning Allowance Program; and,  
4 Commercial Electric Resistance Appliance Replacement Program.

5 Q. Have you prepared a schedule which shows the actual expenditures associated with  
6 it's energy conservation programs for this period?

7 A. Yes. Schedule CT-2, page 2, Exhibit WBG-1 shows actual expenses for the period.  
8 Schedule CT-2, page 1, shows a comparison of the actual program costs and true-up  
9 submitted at the February 1996 hearing in this docket.

10 Q. What was the total cost incurred by West Florida in connection with the five programs  
11 during the twelve months ended September 30, 1996?

12 A. As shown in Exhibit WBG-1, Schedule CT-2, page 2, total program costs were  
13 \$ 669,885.00.

14 Q. Have you prepared, for the twelve month period involved, a schedule which shows  
15 the variance of actual from projected program costs by categories of expenses?

16 A. Yes. Schedule CT-2, page 3, of Exhibit WBG-1 shows these variances.

17 Q. What is West Florida's adjusted net true-up for the twelve months ended  
20 September 30, 1996?

21 A. The Company has over-recovered \$222,988.00 including interest.

22 Q. What is the amount of the adjusted net true-up for the period October  
23 1995 through September 1996?

24 A. This amount which appears on Schedule CT-1, page 1 of 1 is  
25 \$ 548,303.00 over-recovery.

1 Q. Does this conclude your testimony?

2 A. Yes, it does.

SCHEDULE CT-1      COMPANY: WEST FLORIDA NATURAL GAS COMPANY

ADJUSTED NET TRUE-UP  
OCTOBER 1995 THROUGH SEPTEMBER 1996

END OF PERIOD NET TRUE-UP

PRINCIPLE	(210,442)	
INTEREST	(12,546)	(222,988)

LESS PROJECTED TRUE-UP

PRINCIPLE	327,478	
INTEREST	(2,163)	325,315

ADJUSTED NET TRUE-UP      (548,303)

( ) REFLECTS OVER-RECOVERY

10/16/96  
10/16/96

SCHEDULE CT 2  
 PAGE 1 OF 3

COMPANY WEST FLORIDA NATURAL GAS COMPANY

ANALYSIS OF ENERGY CONSERVATION PROGRAM COSTS  
 ACTUAL VERSUS ESTIMATED

MONTHS OCTOBER 1995 THROUGH SEPTEMBER 1996

	ACTUAL	PROJECTED*	DIFFERENCE
CAPITAL INVESTMENT	0	0	0
PAYROLL & BENEFITS	63,772	91,177	(27,405)
MATERIALS & SUPPLIES	0	0	0
ADVERTISING	189,532	114,073	55,459
INCENTIVES	435,640	689,154	(253,514)
OUTSIDE SERVICES	941	5,000	(4,059)
VEHICLES	0	0	0
OTHER	0	0	0
SUB-TOTAL	669,885	899,404	(229,519)
PROGRAM REVENUES	0	0	0
TOTAL PROGRAM COSTS	669,885	899,404	(229,519)
LESS:			
PAYROLL ADJUSTMENTS	0	0	0
AMOUNTS INCLUDED IN RATE BAS	0	0	0
CONSERVATION ADJUSTMENT REVENUES	(880,327)	(571,928)	(308,399)
ROUNDING ADJUSTMENT	0	0	0
TRUE UP BEFORE INTEREST	(210,442)	327,476	(537,919)
INTEREST PROVISION	(12,546)	(2,163)	(10,383)
END OF PERIOD TRUE UP	(222,988)	325,313	(548,301)

(1) REFLECTS OVER RECOVERY

\* 2 MONTHS ACTUAL AND 10 MONTHS PROJECTED

SCHEDULE CT-2  
 PAGE 2 OF 3

COMPANY WEST FLORIDA NATURAL GAS COMPANY

ACTUAL CONSERVATION PROGRAM COSTS PER PROGRAM  
 FOR MONTHS OCTOBER 1995 THROUGH SEPTEMBER 1996

PROGRAM NAME	CAPITAL INVESTMENT	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	ADVERTISING	INCENTIVES	OUTSIDE SERVICES	VEHICLE	OTHER	TOTAL
PROGRAM 1 REPLACEMENT PROGRAM	0	11,684	0	58,331	118,950	0	0	0	188,965
PROGRAM 2 HOMEBUILDER PROGRAM	0	27,250	0	25,751	175,050	0	0	0	228,050
PROGRAM 3 ESP PROGRAM	0	2,659	0	18,041	23,100	0	0	0	43,800
PROGRAM 4 LEGAL & PROFESSIONAL	0	0	0	0	0	941	0	0	941
PROGRAM 5 WATER HEATER RETENTION	0	9,120	0	9,064	43,000	0	0	0	61,184
PROGRAM 6 GAS SPACE CONDITIONING	0	1,820	0	12,145	9,000	0	0	0	22,965
PROGRAM 7 COMMERCIAL REPLACEMENT	0	11,239	0	46,200	66,540	0	0	0	123,980
PROGRAM 8 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 9 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 10 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 11 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 12 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 13 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 14 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 15 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 16 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 17 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 18 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 19 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 20 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
TOTAL	0	83,772	0	169,532	435,640	941	0	0	669,885

SCHEDULE CT-2  
 PAGE 3 OF 3

COMPANY WEST FLORIDA NATURAL GAS COMPANY

CONSERVATION COSTS PER PROGRAM - VARIANCE ACTUAL VERSUS PROJECTED  
 FOR MONTHS OCTOBER 1995 THROUGH SEPTEMBER 1996

PROGRAM NAME	CAPITAL INVESTMENT	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	ADVERTISING	INCENTIVES	OUTSIDE SERVICES	VEHICLE	OTHER	TOTAL
PROGRAM 1 REPLACEMENT PROGRAM	0	(17,702)	0	8,089	(189,800)	0	0	0	(199,413)
PROGRAM 2 HOMEBUILDER PROGRAM	0	(9,808)	0	(7,497)	(72,025)	0	0	0	(84,331)
PROGRAM 3 ESP PROGRAM	0	324	0	11,919	1,421	0	0	0	13,664
PROGRAM 4 LEGAL & PROFESSIONAL	0	0	0	0	0	(4,059)	0	0	(4,059)
PROGRAM 5 WATER HEATER RETENTION	0	(1,472)	0	2,196	(8,000)	0	0	0	(7,276)
PROGRAM 6 GAS SPACE CONDITIONING	0	(5,470)	0	2,129	(26,000)	0	0	0	(29,341)
PROGRAM 7 COMMERCIAL REPLACEMENT	0	6,723	0	33,623	40,890	0	0	0	81,236
PROGRAM 8 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 9 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 10 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 11 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 12 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 13 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 14 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 15 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 16 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 17 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 18 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 19 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 20 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
TOTAL TOTAL OF ALL PROGRAMS	0	(27,405)	0	55,459	(253,514)	(4,059)	0	0	(229,519)

CT 3

PAGE 1 OF 3  
EXPENSES

	MONTH OCT	MONTH NOV	MONTH DEC	MONTH JAN	MONTH FEB	MONTH MAR	MONTH APR	MONTH MAY	MONTH JUN	MONTH JUL	MONTH AUG	MONTH SEP	TOTAL
PROGRAM 1 REPLACEMENT PROGRAM	15,929	15,520	19,376	25,273	17,135	14,641	10,255	15,080	12,483	12,992	10,273	12,390	188,905
PROGRAM 2 HOMEBUILDER PROGRAM	10,650	11,426	18,407	22,492	19,340	17,419	17,090	21,548	28,030	24,198	18,908	18,407	228,050
PROGRAM 3 ESP PROGRAM	2,323	4,352	2,970	4,370	2,459	2,845	4,325	4,170	3,404	5,528	3,279	3,748	43,840
PROGRAM 4 LEGAL & PROFESSIONAL	0	93	297	0	70	475	0	0	0	0	0	0	1,841
PROGRAM 5 WATER HEATER RETENTION	4,598	6,941	0,592	0,540	4,571	4,759	5,105	3,084	3,893	4,247	7,984	2,213	01,194
PROGRAM 6 GAS SPACE CONDITIONING	1,039	2	054	402	579	1,153	1,058	1,970	0	2,409	7,810	5,284	22,905
PROGRAM 7 COMMERCIAL REPLACEMENT	341	11,249	5,920	45,000	3,109	7,527	12,017	3,520	3,302	5,655	788	21,033	123,979
PROGRAM 8 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 9 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 10 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 11 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 12 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 13 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 14 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 15 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 16 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 17 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 18 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 19 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 20 (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>34,007</b>	<b>49,589</b>	<b>54,288</b>	<b>104,955</b>	<b>50,335</b>	<b>48,819</b>	<b>57,120</b>	<b>50,597</b>	<b>51,102</b>	<b>55,028</b>	<b>49,083</b>	<b>64,062</b>	<b>609,885</b>
LESS AMOUNT INCLUDED IN RATE BASE	0	0	0	0	0	0	0	0	0	0	0	0	0
RECOVERABLE CONSERVATION EXPENSES	34,007	49,589	54,288	104,955	50,335	48,819	57,120	50,597	51,102	55,028	49,083	64,062	609,885



SCHEDULE CT-3  
 PAGE 2 OF 3

COMPANY: WEST FLORIDA NATURAL GAS COMPANY  
 FOR MONTHS: OCTOBER 1995 THROUGH SEPTEMBER 1996

CONSERVATION REVENUES	MONTH OCT	MONTH NOV	MONTH DEC	MONTH JAN	MONTH FEB	MONTH MAR	MONTH APR	MONTH MAY	MONTH JUN	MONTH JUL	MONTH AUG	MONTH SEP	TOTAL
1. RCS AUDIT FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
2. OTHER PROGRAM REVS	(3,725)	(3,833)	(3,961)	(4,138)	(12,195)	(5,621)	(5,803)	(5,169)	(4,939)	(4,263)	(4,870)	(5,359)	(63,576)
3. CONSERV. ADJ. REVS	(25,065)	(48,755)	(76,492)	(112,700)	(94,465)	(83,816)	(67,607)	(40,652)	(31,586)	(32,261)	(29,138)	(29,156)	(668,682)
4. TOTAL REVENUES	(28,790)	(50,388)	(79,453)	(116,838)	(106,660)	(89,438)	(73,410)	(45,822)	(36,524)	(36,524)	(34,008)	(34,514)	(732,358)
5. PRIOR PERIOD TRUE UP NOT APPLICABLE TO THIS PERIOD	(12,331)	(12,331)	(12,331)	(12,331)	(12,331)	(12,331)	(12,331)	(12,331)	(12,331)	(12,331)	(12,331)	(12,331)	(147,969)
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	(41,111)	(62,719)	(91,783)	(129,169)	(118,991)	(101,768)	(85,741)	(58,152)	(48,855)	(48,855)	(46,338)	(46,845)	(880,327)
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	34,887	49,589	54,288	104,955	50,335	48,819	57,120	50,597	51,102	55,028	49,083	64,082	669,885
8. TRUE UP THIS PERIOD	(6,224)	(13,129)	(37,495)	(24,214)	(68,856)	(52,950)	(28,621)	(7,555)	2,247	6,174	2,744	17,237	(210,442)
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	(710)	(692)	(758)	(822)	(943)	(1,174)	(1,317)	(1,336)	(1,313)	(1,250)	(1,166)	(1,065)	(12,546)
10. TRUE UP & INTER. PROV. BEGINNING OF MONTH	(147,869)	(142,574)	(144,064)	(169,986)	(182,692)	(239,959)	(281,753)	(299,369)	(295,920)	(282,656)	(265,402)	(251,493)	
11. PRIOR TRUE UP COLLECTED/(REFUNDED)	12,331	12,331	12,331	12,331	12,331	12,331	12,331	12,331	12,331	12,331	12,331	12,331	
12. TOTAL NET TRUE UP (SUM LINES 8 + 9 + 10 + 11)	(142,574)	(144,064)	(169,986)	(182,692)	(239,959)	(281,753)	(299,369)	(295,920)	(282,656)	(265,402)	(251,493)	(222,990)	(222,988)

SCHEDULE CT-3  
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COMPANY WEST FLORIDA NATURAL GAS COMPANY

CALCULATION OF TRUE UP AND INTEREST PROVISION  
 FOR MONTHS OCTOBER 1995 THROUGH SEPTEMBER 1996

	MONTH NO 1	MONTH NO 2	MONTH NO 3	MONTH NO 4	MONTH NO 5	MONTH NO 6	MONTH NO 7	MONTH NO 8	MONTH NO 9	MONTH NO 10	MONTH NO 11	MONTH NO 12	TOTAL
1 INTEREST PROVISION													
1 BEGINNING TRUE UP	(147,969)	(142,674)	(144,064)	(169,986)	(182,632)	(239,959)	(281,753)	(299,359)	(295,970)	(282,656)	(266,402)	(251,493)	
2 ENDING TRUE UP BEFORE INTEREST	(141,862)	(143,372)	(169,229)	(181,870)	(239,016)	(280,578)	(298,043)	(294,584)	(281,343)	(264,152)	(250,327)	(221,925)	
3 TOTAL BEGINNING & ENDING TRUE UP	(289,831)	(286,046)	(313,293)	(351,856)	(421,708)	(520,537)	(579,796)	(593,943)	(577,313)	(546,808)	(515,729)	(473,418)	
4 AVERAGE TRUE UP (LINE 3 TIMES 50%)	(144,916)	(142,973)	(156,646)	(175,928)	(210,854)	(260,269)	(289,898)	(296,972)	(288,631)	(273,404)	(257,864)	(236,709)	
5 INTER RATE 1ST DAY OF REPORTING MONTH	5.940%	5.810%	5.800%	5.810%	5.400%	5.330%	5.500%	5.400%	5.400%	5.520%	5.450%	5.400%	
6 INTER RATE 1ST DAY OF SUBSEQUENT MONTH	5.810%	5.800%	5.810%	5.400%	5.330%	5.500%	5.400%	5.400%	5.520%	5.450%	5.400%	5.400%	
7 TOTAL (SUM LINES 5 & 6)	11.750%	11.610%	11.610%	11.210%	10.730%	10.830%	10.900%	10.800%	10.920%	10.970%	10.850%	10.800%	
8 AVG INTEREST RATE (LINE 7 TIMES 50%)	5.875%	5.805%	5.805%	5.605%	5.365%	5.415%	5.450%	5.400%	5.460%	5.485%	5.425%	5.400%	
9 MONTHLY AVG INTEREST RATE	0.490%	0.484%	0.484%	0.467%	0.447%	0.451%	0.454%	0.450%	0.455%	0.457%	0.452%	0.450%	
10 INTEREST PROVISION (LINE 4 TIMES LINE 9)	(710)	(692)	(758)	(822)	(843)	(1,174)	(1,317)	(1,336)	(1,313)	(1,250)	(1,166)	(1,065)	(12,546)

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Exhibit WBG-1  
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Schedule CT-4  
Page 1 of 1

CAPITAL INVESTMENT ANALYSIS

Not Applicable

Docket 960002-EG  
Conservation Cost Recovery

Exhibit WBG-1  
Page 8 of 16

Schedule CT-4  
Page 1 of 1

CAPITAL INVESTMENT ANALYSIS

Not Applicable

Docket 960002-EG  
Conservation Cost Recovery

Exhibit WBG-1  
Page 9 of 16

Schedule CT-5  
Page 1 of 1

Reconciliation and Explanation of Differences Between Filing and PSC  
Audit Report for October 1995 and September 1996

Not Applicable

**WEST FLORIDA NATURAL GAS COMPANY  
PROGRAM DESCRIPTION AND PROGRESS**

Program Name:

**Residential Electric Resistance & Oil Heating Replacement Program**

Program Description:

This program will promote the replacement of all electric appliances water heaters, central heaters, ranges and dryers where it is cost effective to do so.

This program offers customers an installation allowance to assist in defraying the additional cost of gas piping and appliance venting required when converting from electric to energy conserving natural gas appliances.

The second phase of this program offers an installation allowance to assist in defraying the cost of replacing an oil central heater.

The installation allowances are:

<b>Water Heater.....</b>	<b>\$250.00</b>
<b>Central Heater.....</b>	<b>\$500.00</b>
<b>Range.....</b>	<b>\$150.00</b>
<b>Dryer.....</b>	<b>\$150.00</b>
<b>Appliances with Electronic Ignition.....</b>	<b>\$ 50.00</b>
<b>Space Heaters &lt; 50,000 BTUs.....</b>	<b>\$150.00</b>
<b>Space Heaters &gt; 50,000 BTUs.....</b>	<b>\$300.00</b>

Program Projections:

For the twelve month period ending September 30, 1996, we estimated 1160 appliances would be converted from electric to natural gas.

Accomplishments

Under this program we converted 514 appliances to natural gas for the period ending September 30, 1996.

Fiscal Expenditures:

For the twelve month period ending September 30 1996, we estimated program expenses to be \$388,378.00. For the same period we incurred expenses of \$188,965.42.

Program Progress Summary:

Replacement of electric and fuel oil appliances slowed during this period due to a reorganization of the company's marketing department. Promotional activities were reduced while staff was trained. In addition, the company has redirected resources toward commercial sector marketing. Expenses incurred during the next period are anticipated to remain at the reduced level experienced this year.

Program Title

**Residential Home Builder Program**

Program Description:

This program is designed to increase the use of efficient natural gas in the residential sector by encouraging home builders to install energy conserving natural gas appliances in new residences as a substitute for electrical appliances

The allowances are:

<b>Water Heater.....</b>	<b>\$150.00</b>
<b>Central Heater.....</b>	<b>\$250.00</b>
<b>Range.....</b>	<b>\$100.00</b>
<b>Dryer.....</b>	<b>\$100.00</b>

Program Projections:

For the twelve month period ending September 30, 1996, we estimated \_\_\_\_\_ new residential homes would be constructed. A total of 1156 natural gas appliances would be installed in these homes.

Accomplishments:

Under this program we installed 1025 natural gas appliances for the period ending September 30, 1996.

Fiscal Expenditures:

For the twelve month period ending September 30, 1996, we estimated the program expenses of \$312,382.00. For this same period we incurred expenses of \$228,050.14

Program Progress Summary:

This program is well accepted by area home builders and should continue at or near projected levels.



Program Title:

**Energy Savings Payback (ESP) Program**

Program Description:

This program has been designed to promote replacement of standard gas appliances with energy efficient natural gas appliances and will focus on water heaters, central heaters, ranges and dryers. Installation allowances are added to the program to encourage customers to consider the extra expense of energy efficient natural gas appliances in lieu of standard gas appliances or electric appliances.

The installation allowances are:

<b>Water Heater.....</b>	<b>\$50.00</b>
<b>Central Heater.....</b>	<b>\$50.00</b>
<b>Range.....</b>	<b>\$50.00</b>
<b>Dryer.....</b>	<b>\$50.00</b>

Program Projections:

For the twelve month period ending September 30, 1996, we estimated 607 appliances would be installed under this program.

Accomplishments:

Under this program we installed 462 energy efficient appliances for the period ending September 30, 1996.

Fiscal Expenditures:

For the period ending September 30, 1996, we estimated the program expenses of \$30,136.00. For this same period we incurred expenses of \$43,800.25.

Program Progress Summary:

Replacement of existing gas appliances slowed during this period due to a reorganization of the company's marketing department. Promotional activities were reduced while staff was trained. In addition, the company has redirected resources toward commercial sector marketing. Expenses incurred during the next period are anticipated to remain at the reduced level experienced this year.

Program Title

**Natural Gas Water Heater Load Retention Program**

Program Description

This program is designed to urge the continued use of natural gas water heaters, effectively reducing conversions from natural gas to electricity. It offers customers an incentive allowance to help defray the additional costs of installing a new gas water heater.

The installation allowance is:

**Water Heater.....\$100.00**

Program Projections:

For the twelve month period ending September 30, 1996, we estimated that 511 natural gas water heaters would be retained.

Accomplishments:

Under this program we retained 431 natural gas water heaters for the period ending September 30, 1996.

Fiscal Expenditures:

For the period ending September 30, 1996, we estimated the program expenses of \$68,460.00. For this same period we incurred expenses of \$61,184.00.

Program Progress Summary:

This program has been in effect since July, 1, 1991. It has been well received by the public. We anticipate continued stable participation levels.

Program Title

**Natural Gas Space Conditioning Allowance Program**

Program Description:

This program is designed to convert customers from electric space conditioning equipment to energy efficient natural gas space conditioning equipment and to initially install gas space conditioning instead of electric equipment.

The installation allowances are  
**\$100.00.....per Ton**

Program Projections:

For the twelve month period ending September 30, 1996, we estimated that 425 tons of space conditioning equipment would be installed.

Accomplishments

Under this program, we installed 90 tons for the period ending September 30, 1996.

Fiscal Expenditures:

For the period ending September 30, 1996, we estimated the program expenses of \$52,305.00. For this same period we incurred expenses of \$22,965.00.

Program Progress Summary:

This program has been in effect since July 1, 1991. We have focused our efforts towards the commercial market. Small tonnage space conditioning system sales are increasing while the larger tonnage commercial jobs have been more difficult to conclude. Our promotional efforts will continue to focus on commercial applications.

Program Title

**Commercial Electric Resistance Appliance Replacement Program**

Program Description

This program is designed to promote the use of natural gas to non-residential, high priority, customers. This program applies to all energy efficient commercial gas appliances including, but not limited to, water heaters and boilers, central heating furnaces, fryers and other cooking equipment.

The installation allowances are

**\$30.00.....per KWD**

The formula to determine the KWD is:

$$\frac{\text{no. of watts input (min. 6000)}}{1,000} = \text{KWD}$$

Program Projections:

For the twelve month period ending September 30, 1996, we estimated that 855 electrical commercial kilowatt hours would be displaced by installing commercial natural gas equipment.

Accomplishments:

Under this program we installed commercial natural gas equipment which has replaced electric commercial equipment with rated hourly kilowatt input of 2218 KWHs for the period ending September 30, 1996.

Fiscal Expenditures:

For the period ending September 30, 1996, we estimated the program expenses of \$42,744.00. For this same period we incurred expenses of \$123,980.00.

Program Progress Summary:

This program has been in effect since July 1, 1991. The culmination of several large commercial projects during this reporting period exceeded our projections. We anticipate continued growth in the program during the next two years.