



Public Service Commission

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DIVISION OF RECORDS AND REPORTING

DATE: AUGUST 17, 2000

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF COMPETITIVE SERVICES (S. BROWN C. BULECZA-³⁰⁹00640)
BANKS)
DIVISION OF LEGAL SERVICES (R. ISAAC) **RVE FOR RMI**

RE: DOCKET NO. 000721-EG - PETITION BY FLORIDA PUBLIC UTILITIES COMPANY FOR APPROVAL OF NEW ENERGY CONSERVATION PROGRAMS FOR NATURAL GAS CUSTOMERS.

AGENDA: 08/29/2000 - REGULAR AGENDA - PROPOSED AGENCY ACTION-INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\CMP\WP\000721.RCM

CASE BACKGROUND

On October 17, 1994, the Commission opened Docket No. 941104-EG. The purpose of this docket was to evaluate the existing natural gas conservation cost/benefit methodology, and determine whether the methodology should continue to be used or whether it should be replaced by a new methodology.

After analyzing the Commission's current conservation policies, along with the existing methodology, Staff concluded that a new methodology should be developed. After conducting two workshops, and undergoing numerous revisions, a proposed methodology was brought before the Commission. On November 21, 1995, the Commission proposed Rule 25-17.009, and the new methodology. Three parties filed comments on the proposed rule, and one party requested a conditional hearing. Staff met with the parties and reached agreement as to the wording in the methodology. Subsequently, the petition for a conditional hearing was withdrawn.

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On March 20, 1996, the Commission adopted Rule 25-17.009, Florida Administrative Code, which sets forth the cost-effectiveness methodology for natural gas conservation programs. Section 366.81, Florida Statutes, of the Florida Energy Efficiency and Conservation Act (FEECA) gives the Commission authority to oversee electric and natural gas programs.

As stated in Rule 25-17.009, Florida Administrative Code, each gas utility that seeks to recover costs for an existing, new, or modified demand side management program shall file the cost effectiveness test results of the Participants Test and the Rate Impact Measure Test in the format set forth in the Form PSC/EAG/18 (4/96), entitled the "Florida Public Service Commission Cost Effectiveness Manual for Natural Gas Utility Demand Side Management Programs." Since the time the rule was adopted, the Commission has opened three dockets to review conservation programs offered by Peoples Gas System, City Gas Company of Florida, and Chesapeake Utilities Corporation.

On June 15, 2000, Florida Public Utilities Company (FPUC) submitted a petition seeking approval for thirteen conservation programs. The thirteen programs include: Full House Residential New Construction, Residential Appliance Replacement Program, Residential Appliance Retention Program, Residential Service Reactivation Program, Residential Conservation Service, Residential Propane Appliance Conversion Program, Commercial Equipment Replacement Program, Commercial Propane Equipment Conversion Program, Commercial Conservation Program, Space Conditioning Program, On-Site Power Generation Program, Conservation Education Program, and Dealer Program. On August 10, 2000, FPUC filed a Modification of Petition. The modification changed the description of the Residential Propane Appliance Program.

DISCUSSIONS OF ISSUES

ISSUE 1: Should the Commission approve all of FPUC's conservation programs?

RECOMMENDATION: No. The Commission should only approve: Full House Residential New Construction Program, Residential Appliance Replacement Program, Residential Appliance Retention Program, Residential Service Reactivation Program, Residential Conservation Service Program, Commercial Conservation Program, Space Conditioning Program, and Conservation Education Program. Staff believes the following programs should be denied because no cost/benefit analyses were conducted to determine whether or not the program would be cost effective for conservation: Commercial Equipment Replacement Program, On-Site Power Generation Program, Residential Propane Appliance Conservation Program, Commercial Propane Equipment Conversion Program and Dealer Program. (S.BROWN C. BULECZA-BANKS)

STAFF ANALYSIS: On June 15, 2000, FPUC submitted its analysis of the proposed thirteen conservation programs. Six of the programs were evaluated using a Participant's Screening Test and a Gas Ratepayer Impact Test (G-RIM). The six programs include: Full House Residential New Construction, Residential Appliance Replacement Program, Residential Appliance Retention Program, Residential Service Reactivation Program, Residential Propane Appliance Conversion Program, and Space Conditioning Program. Analyses were not conducted for seven programs: Residential Conservation Service Program, Commercial Equipment Replacement Program, Commercial Propane Equipment Conversion Program, Commercial Conservation Program, On-Site Power Generation Program, Conservation Education Program, and Dealer Program.

On July 20, 2000, FPUC submitted additional information, per Staff's request, regarding usage estimates, cost estimates, and general assumptions made pertaining to its filing.

Of the thirteen proposed programs, Staff recommends the Commission approve the following eight programs: Full House Residential New Construction, Residential Appliance Replacement Program, Residential Appliance Retention Program, Residential

Service Reactivation Program, Residential Conservation Service Program, Commercial Conservation Program, Space Conditioning Program, and Conservation Education Program. Each program is addressed below.

The Full House Residential New Construction Program:

This program is designed to increase the overall efficiency in the residential, single-family construction market by promoting energy-efficient natural gas appliances. The program offers builders and developers incentives in the form of cash allowances to assist with the additional cost associated with the installation of natural gas supply lines, house piping, venting and natural gas appliances. The program passed the Gas Rim Test (G-Rim) for each appliance mentioned at a ratio of: 1.10 for a water heater, 1.45 for a furnace, 1.05 for a clothes dryer outlet and 1.06 for a range.

The Residential Appliance Replacement Program:

This program is designed to encourage the replacement of inefficient non-natural gas residential appliances with energy efficient natural gas appliances. The program offers incentives in the form of cash allowances to residential customers to assist in defraying the additional cost associated with the installation of efficient natural gas appliances. This program passed the G-Rim for each appliance available for customers in the program at a ratio of: 1.19 for a water heater, 1.13 for a furnace, 1.20 for a clothes dryer and 1.23 for a range.

The Residential Appliance Retention Program:

This program is designed to promote the retention of energy-efficient water heater for current natural gas customers. The program offers allowances to customers to assist with the cost associated with purchasing and installing a more expensive energy-efficient water heater. This program passed the G-Rim at a ratio of 1.58 for a water heater.

The Residential Service Reactivation Program:

This program is designed to encourage the reactivation of existing residential service lines that are scheduled to be cut-off and capped. The program offers incentives in the form of cash allowances to assist customers in defraying the additional costs associated with the purchase and the installation of an energy-

efficient natural gas water heater. This program passed the G-Rim at a ratio of 1.58

The Space Conditioning Program:

This program is designed to convert on-main customers from electric space conditioning equipment to energy-efficient natural gas space conditioning equipment. The program provides an allowance to qualifying participants to compensate for higher initial costs of natural gas space conditioning equipment and the associated installation costs. This program passed the G-Rim at a ratio of 1.25.

The Residential Conservation Service Program and the Commercial Conservation Program:

These programs are designed to assist residential and commercial customers in conserving all forms of energy consumption. Energy surveys will be conducted to assist customers in these programs. As these two programs do not lend themselves to a calculated cost benefit analysis, they must be evaluated on their perceived benefit. Staff believes the programs are in the best interest of the customers and FPUC and are consistent with the Florida Energy Efficiency and Conservation Act. Staff recommends approval of these programs.

The Conservation Education Program:

This program is designed to teach adults and young people about conservation measures designed to reduce energy consumption and consequently reduce their utility bills. This program also does not lend itself to a cost benefit analysis. Staff believes the program is in the best interest of the customers and FPUC and is consistent with the FEECA. Staff therefore recommends approval.

All of the programs except the Residential Conservation Service Program, Commercial Conservation Program and Conservation Education Program pass the G-RIM and Participants tests. These programs are in accordance with the FEECA because each program promotes goals of energy conservation.

Staff believes the following programs should be denied because no cost/benefit analyses were conducted to determine whether or not the program would be cost effective for conservation: Commercial Equipment Replacement Program, On-Site Power Generation Program, and Dealer Program.

Staff suggests that if FPUC would like to seek approval for these programs, it should submit the cost-effective analyses with the programs on September 27, 2000, when companies present Projection Filings and Testimony in the conservation docket or petition the Commission at a later date.

As stated earlier, FPUC submitted a Modification of Petition on August 10, 2000, pertaining to the language of the Residential Propane Appliance Conversion Program. The modification merely changed the description of the program but did not change the overall design of the program. As originally filed, FPUC proposed to offer incentives if a residential customer converted his appliances from propane to natural gas. Allowing utilities to offer incentives to customers that switch from propane to natural gas is inconsistent with one of the general principles of FEECA, which is to conserve expensive resources, particularly petroleum fuels. As both natural gas and propane are petroleum fuels, providing an incentive to switch from one to another provides no benefits to the citizens of the state.

Based upon the information submitted and Staff's findings the programs to be approved include: Full House Residential New Construction, Residential Appliance Replacement Program, Residential Appliance Retention Program, Residential Service Reactivation Program, Residential Conservation Service Program, Commercial Conservation Program, Space Conditioning Program and the Conservation Education Program. The remaining programs should not be approved.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. This docket should be closed upon issuance of a Consummating Order unless a person whose substantial interests are affected by the Commission's proposed agency action files a protest within 21 days of the issuance of the order. If a protest is filed within the 21 days from the issuance of the order, the programs should not be implemented until after resolution of the protest. (R. Isaac)

STAFF ANALYSIS: If no person whose substantial interests are affected by the Commission's proposed agency action files a protest within 21 days of the issuance of this order, the docket should be closed upon issuance of a Consummating Order. If a protest is filed within the 21 days from the issuance of the order, the programs should not be implemented until after resolution of the protest.