

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition For Authority)	DOCKET NO. 911031-EG
to Adopt the Gulf Express Energy)	ORDER NO. 25531
Conservation Loan Program by)	ISSUED: 12-24-91
Gulf Power Company.)	
_____)	

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
 SUSAN F. CLARK
 J. TERRY DEASON
 BETTY EASLEY

NOTICE OF PROPOSED AGENCY ACTION

ORDER AUTHORIZING GULF POWER COMPANY TO ADOPT THE
 CONSERVATION LOAN TEST PROGRAM AS AN APPROVED
 COMPANY CONSERVATION COST RECOVERY PROGRAM

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

Background

On September 3, 1986, the Energy Conservation Loan Test Program (ECLTP) was initiated by the Commission as a two-year test program. That program targeted retrofitting existing residential dwellings with energy efficient measures to improve the thermal and mechanical efficiencies of those dwellings. The Commission guaranteed the energy conservation loans in the event of a default and remitted a 4% interest subsidy to participating financial institutions. The funding for this program was provided through the Florida Energy Trust Fund. In the General Appropriations Act for Fiscal Year 1991-92, Chapter 91-193 Laws of Florida, the Commission's authority to enter into financial commitments was discontinued for any energy conservation loans and subsidies as of July 1, 1991.

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In response to the legislative action discontinuing the funding for the ECLTP, Gulf Power Company (Gulf) petitioned the Commission for authority to adopt and continue a conservation program (Gulf Express) patterned after the ECLTP. By Order No. 24724 issued June 27, 1991 this Commission approved Gulf's petition on an interim basis for loans made from July 1, 1991 through September 30, 1991. Order No. 24724 directed Gulf to consider two questions in filing for approval of Gulf Express. The first question concerns the cost-effectiveness of the loan program. The second question was whether the permanent loan program should include a requirement that the loans be secured by a lien on the improved property and if so, how such a security interest could be created.

Gulf Express Program

The Gulf Express program and its administrative procedures are patterned after the Commission's ECLTP. Administrative responsibility for the program, a role previously handled by the Commission's Staff, will be handled by Gulf personnel with cost recovery through the Energy Conservation Cost Recovery (ECCR) clause. The proposed program will include the same 4% interest subsidy and principal guaranty to the lender.

During the 4 1/2 years Gulf participated in the ECLTP, participating financial institutions have underwritten 3,860 conservation loans and have experienced a default ratio of 1.19%. The ECLTP established a maximum 2% defaulted loan criteria for participating banks which will be continued under the Gulf Express program.

The Commission's current conservation goals require utilities to increase the efficiency of the electric and natural gas systems of Florida and the end use of those sources of energy by reducing weather sensitive peak demand, oil consumption, and kilowatt hour consumption to the extent cost-effective. In most instances the Gulf Express contributes to the conservation goals of increasing the end use efficiency of the electric and natural gas systems and reduces peak demand. However in instances where heat pumps replace existing natural gas furnaces the weather sensitive peak demand is increased not reduced. Gulf's system uses approximately 99% coal, so that any reduction in oil consumption is minimal at best. The Gulf Express program reduces kilowatt hour consumption and is cost-effective when viewed from the rate impact test, but the program is not cost-effective when viewed from the participants and total resource test.

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The Gulf Express program's cost-effectiveness from the rate impact analysis is predicated on evaluating the program using Gulf's retrofit billing data and comparable conservation program savings data from the other three investor owned utilities. Therefore, under the assumptions of the cost-effectiveness test customers' rates will not be adversely affected if the projected energy and demand savings are realized. The participants and total resource tests are not cost-effective primarily due to the extensive customer payback periods which exceed 21 years. In Gulf's most recent rate proceeding Order No. 23573, base rate approval of \$447,390 was granted for the Good Cents Existing Home program to encourage energy efficient retrofitting and remodeling in all types of existing residential dwellings. Any ECCR recovery of cost for the Gulf Express program should not duplicate cost already recovered for similar activities recovered in base rates.

We agree with our Staff that Gulf should provide the Commission with a program description and standards and they will be filed within 30 days from the date of this Order.

Guaranteed Program Security

Our Staff has recommended and we agree that in order to help eliminate losses from customer defaults Gulf should require its participating financial institutions to require proof of home ownership, a legal description of the property and the following language in the Promissory Note:

Maker shall not have the right to sell or transfer this property until this Note is paid in full. In the event of a sale or transfer, the financial institution shall have the right to declare the entire remaining balance hereon due and payable and may have a lien on the above described property to secure payment of this Note.

To further discourage defaults, we are requiring that Gulf indicate to its participating financial institutions that they should record the promissory notes in the official records in the county where the real property is located, otherwise, the lending institution will receive only a loan guarantee of one-half of the eligible reimbursement amount in case of default. The Gulf Express program will include a maximum 2% threshold for defaulted loans prior to suspending the participating financial institution. In addition to suspension of the institution, liability for defaulted loan reimbursement payment will be limited to 2% of the total principal loaned.

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Cost Effective Analysis

We agree with Our Staff's recommendation that Gulf should perform additional analysis to determine the actual demand and energy savings of Gulf Express participants. Gulf relied upon the Residential Building Energy Program (RBEP) analysis for the demand and energy input data (2.0 kW, 9,769 kWh) for the cost-effectiveness analysis. The RBEP incorrectly assumed that all participants installed both attic insulation and replaced existing strip heat with a heat pump. Approximately 20% of all prior participants installed both measures, while many installed a variety of eligible conservation measures. Energy savings associated with heat pump to heat pump replacements are significantly less than those replacing strip heat, while heat pumps replacing gas heating systems actually increase the kWh usage of the home due to the fuel switching. Additionally, Staff has previously questioned the accuracy of the projected RBEP energy and demand savings in prior conservation program dockets.

Gulf also performed a post retrofit billing analysis where the kWh usage of Gulf Express and non Gulf Express customers was analyzed for a two-year period before and a two-year period after the conservation measures were installed. Participating customers realized an annual reduction of 1,899 kWh, while non participating customers realized an annual reduction of 532 kWh. The post retrofit savings are drastically different from the results of the RBEP analysis.

Due to the difference between the two analysis and the need to validate actual demand and energy savings of the Gulf Express program, Gulf is directed to perform additional analysis and submit a report to the Commission Staff by July 1, 1993. Gulf may request an extension if additional time is required to complete the analysis. Our Staff will monitor Gulf's projected and actual program costs per participant in the ECCR proceeding.

It is, therefore,

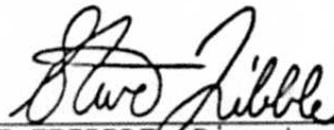
ORDERED that the petition of Gulf Power Company for authority to adopt conservation test program known as the Gulf Express, as an approved conservation cost recovery program is hereby approved consistent with the terms and conditions set forth in this Order. It is further

ORDERED that this order shall become final and this docket shall be closed unless an appropriate petition for a formal proceeding is received by the Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the

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close of business on the date indicated in the notice of further proceedings or judicial review.

By ORDER of the Florida Public Service Commission, this
24th day of DECEMBER, 1991.



STEVE TRIBBLE, Director
 Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029; Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on 1/14/92.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.