

State of Florida



Public Service Commission
CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: JUNE 6, 2002

TO: DIRECTOR, DIVISION OF THE COMMISSION
ADMINISTRATIVE SERVICES (BAYÓ)

FROM: DIVISION OF COMPETITIVE MARKETS & ENFORCEMENT (S.B. BROWN,
CASEY, BULECZA-BANKS) *SB*
OFFICE OF THE GENERAL COUNSEL (HOLLEY) *JMM*

RE: DOCKET NO. 020302-GU - PETITION FOR EXPANSION OF ENERGY
CONSERVATION PROGRAMS AND FACTORS BY FLORIDA PUBLIC
UTILITIES COMPANY.

AGENDA: 06/18/02 - REGULAR AGENDA - PROPOSED AGENCY ACTION -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\CMP\WP\020302.RCM

CASE BACKGROUND

By Order No. PSC-00-1663-PAA-EG, issued September 18, 2000 in Docket 000721-EG, the Commission approved energy conservation programs for Florida Public Utilities Company ("FPUC") together with the recovery of costs associated with the approved programs. On December 14, 2001, FPUC completed a transaction whereby FPUC acquired the assets and operations of South Florida Natural Gas (SFNG). SFNG provided natural gas service to customers in Volusia County.

On March 21, 2002, FPUC filed a Petition for Expansion of Energy Conservation Programs and Factors. In its petition, FPUC projected the expenses that would be incurred by FPUC as a result of expanding the conservation program offerings to the former SFNG customers. As a result of the expansion, FPUC calculated a new set of conservation factors to be assessed on all customer

DOCUMENT NUMBER-DATE
05919 JUN-6 2002
FPSC-COMMISSION CLERK

DATE: June 6, 2002

On May 30, 2002, FPUC submitted an amended petition. Under the amended proposal, FPUC would assess the former SFNG customers the conservation factors that are currently being charged to FPUC's customers. The current factors were approved at the November 2001 Energy Conservation Cost Recovery hearings and codified in Order PSC-01-2388-FOF-GU, dated December 11, 2001.

Jurisdiction over this matter is vested in the Commission by several provisions of Chapter 366, Florida Statutes, including Sections 366.04, 366.05 and 366.06, Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve Florida Public Utilities Company's (FPUC) modified Petition for Expansion of Energy Conservation Programs and Factors?

RECOMMENDATION: Yes. The Commission should grant FPUC's modified petition for approval for Expansion of Energy Conservation Programs and Factors. (S.B. BROWN, CASEY, BULECZA-BANKS)

STAFF ANALYSIS: By Commission Order No. PSC-01-2388-FOF-GU, issued December 11, 2001, in Docket No. 010004-GU, the Commission approved FPUC's current conservation factors. On March 21, 2002, FPUC filed a Petition for Expansion of Energy Conservation Programs and Factors, which is the subject of this recommendation. The expansion request is a result of FPUC's acquisition of SFNG's assets. On May 30, 2001, FPUC submitted an amended petition. Under the amended proposal, FPUC would assess the former SFNG customers the conservation factors that are currently being charged to FPUC's customers.

SFNG had no conservation programs available to its customers. Since the completion of the acquisition of SFNG, FPUC has been providing service to the former SFNG customers in New Smyrna Beach and has begun to consolidate the operations of these two companies. As previously stated, FPUC submitted an amendment to its petition stating that the factors approved in Order PSC-01-2388-FOF-GU in Docket 01004-GU, should be applied to all of FPUC's customers, including the former SFNG customers.

DATE: June 6, 2002

The factors currently in effect are:

<u>Rate Schedule</u>	<u>Conservation Factor</u>
Residential	.09068 cents per therm
Commercial Small	.03473 cents per therm
Commercial Lrg. Vol	.02324 cents per therm
Large Volume Transport	.02324 cents per therm

Included in FPUC's petition, were the required cost effectiveness studies. The cost effectiveness tests submitted incorporated the projected impact of the additional customers obtained from the SFNG acquisition. Staff analyzed the inputs and application of the Gas Ratepayer Impact Test (G-RIM) and the Participant's Screening Test for five of FPUC's conservation programs. In evaluating the G-RIM cost effectiveness tests, staff deemed a program to be cost effective if a ratio of one or greater was achieved. To be deemed cost effective for a participant, the Participant's Screening Test would need to result in a number greater than zero. All five of FPUC's proposed programs were shown to be cost effective on a G-RIM basis and on a participant basis. In addition, staff evaluated FPUC's Conservation Education Programs. As in the original approval of these programs, no cost effective tests were required because these programs are evaluated on their perceived benefit.

Staff also received additional data regarding FPUC's 2002 conservation expenses. FPUC submitted a spreadsheet that showed the actual expenditures incurred for the period January 2002 through April 2002, along with its current projection of expenses for the period May 2002 through December 2002. Staff compared FPUC's original expense projection for the calendar year 2002 that was submitted in September 2001 and used to calculate FPUC's current conservation factors, with the actual and reprojected data submitted in regard to this filing. Based on staff's analysis, the revised projection for calendar year 2002 is approximately two percent different than FPUC's original projection. Staff's revised total true-up for calendar year 2002 is \$1,982,720, which is \$37,066 lower than FPUC's original projection of \$2,019,786. The difference of \$37,066 will not materially affect FPUC's current conservation factors. If the factors were adjusted for staff's projection, the conservation factor applied to the residential customers would decrease by approximately three tenths of one cent.

DOCKET NO. 020302-GU

DATE: June 6, 2002

The commercial classes would experience a decrease in the factor of approximately one tenth of one cent. As the factors are based on a projection which is subject to true-up, staff does not recommend changing the factors at this time.

Based on the above analysis, staff recommends that FPUC be allowed to offer its conservation programs to the former SFNG customers and be allowed to collect the conservation cost recovery factors approved for FPUC by this Commission in Order No. PSC-01-2388-FOF-GU, dated December 11, 2001. The offering of the programs to the SFNG customers should be effective upon issuance of the Consummating Order in this docket.

DOCKET NO. 020302-GU

DATE: June 6, 2002

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 21 days from the issuance of the Order, the programs should not be implemented until after a resolution of the protest. **(HOLLEY)**

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.