

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Florida  
Public Utilities Company for  
approval of new energy  
conservation programs for  
natural gas customers.

DOCKET NO. 000721-EG  
ORDER NO. PSC-00-1663-PAA-EG  
ISSUED: September 18, 2000

The following Commissioners participated in the disposition of  
this matter:

J. TERRY DEASON, Chairman  
E. LEON JACOBS, JR.  
LILA A. JABER

NOTICE OF PROPOSED AGENCY ACTION

ORDER APPROVING IN PART FLORIDA PUBLIC UTILITIES COMPANY'S  
PETITION FOR APPROVAL OF NATURAL GAS CONSERVATION PROGRAMS AND  
DENYING IN PART FLORIDA PUBLIC UTILITIES COMPANY'S PETITION FOR  
APPROVAL OF NATURAL GAS CONSERVATION PROGRAMS

BY THE COMMISSION:

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

On March 20, 1996, this 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 this 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

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FPSD-RECORDS/REPORTING

(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, this 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. 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. On August 10, 2000, FPUC filed a Modification of Petition. The modification changed the description of the Residential Propane Appliance Program.

Of the thirteen proposed programs, we hereby 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.

We believe the following programs should be denied at this time 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. However, 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 on the foregoing, it is

ORDERED by the Florida Public Service Commission that the following conservation programs proposed by Florida Public Utilities Company are hereby approved: 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. It is further


ORDERED that the following conservation programs proposed by Florida Public Utilities Company are denied at this time: Residential Propane Appliance Conversion Program, Commercial Equipment Replacement Program, Commercial Propane Equipment Conversion Program, On-Site Power Generation Program, and Dealer Program. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this Docket shall be closed.

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By ORDER of the Florida Public Service Commission this 18th  
day of September, 2000.

  
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BLANCA S. BAYÓ, 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 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, 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 will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on October 9, 2000.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

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.