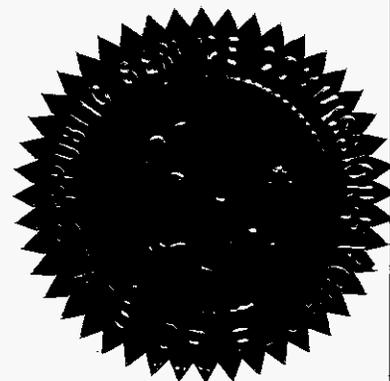


BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of: DOCKET NO. 090122-EG

PETITION FOR APPROVAL OF  
MODIFICATIONS TO APPROVED  
ENERGY CONSERVATION PROGRAMS,  
BY ASSOCIATED GAS DISTRIBUTORS  
OF FLORIDA.

\_\_\_\_\_ /



PROCEEDINGS: AGENDA CONFERENCE  
ITEM NO. 4

COMMISSIONERS  
PARTICIPATING: CHAIRMAN NANCY ARGENZIANO  
COMMISSIONER LISA POLAK EDGAR  
COMMISSIONER NATHAN A. SKOP  
COMMISSIONER DAVID E. KLEMENT  
COMMISSIONER BEN A. "STEVE" STEVENS III

DATE: Tuesday, February 9, 2010

PLACE: Betty Easley Conference Center  
Room 148  
4075 Esplanade Way  
Tallahassee, Florida

REPORTED BY: LINDA BOLES, RPR, CRR  
Official FPSC Reporter  
(850) 413-6734

DOCUMENT NUMBER DATE

01140 FEB 22 2010

FPSC-COMMISSION CLERK

P R O C E E D I N G S

\* \* \* \* \*

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**CHAIRMAN ARGENZIANO:** Let's go to 4, move to Item Number 4. Whenever staff is ready.

**MR. BROWN:** Good morning, Madam Chair, fellow Commissioners.

**CHAIRMAN ARGENZIANO:** Good morning.

**MR. BROWN:** My name is Shevie Brown, and to my right is Phillip Ellis on behalf of technical staff. To my left is Ms. Katherine Fleming.

Item 4 is a petition for approval of modifications to the approved energy conservation programs by Associated Gas Distributors of Florida, or AGDF. AGDF is a trade association that represents the seven natural gas distribution companies in this docket. Collectively the seven LDCs wish to adopt a conservation and demonstration and development program that will support individual and joint research, development and demonstration of new natural gas programs. Staff recommends approval of the AGDF petition. These funds should not be used for any means besides stated above, nor should they be used for load building or vehicle transportation measures.

We're available for any comments or discussion that you would like to have. In addition,

1 representatives of the company are here as well.

2 **CHAIRMAN ARGENZIANO:** Commissioner Stevens,  
3 then Commissioner Skop.

4 **COMMISSIONER STEVENS:** I appreciate this  
5 recommendation. I think it's a team effort. I like to  
6 see that. It's efficient. The projects that they come  
7 up with should be good so they won't be recreating the  
8 wheel. And it's a very proactive program for  
9 conservation, so I appreciate it.

10 **CHAIRMAN ARGENZIANO:** Thank you.

11 Commissioner Skop.

12 **COMMISSIONER SKOP:** Thank you, Madam Chair.

13 I have several concerns regarding this. I can  
14 go either way as it pertains to approval of the staff  
15 recommendation. But I'm struggling to understand R&D in  
16 the context of energy conservation, so I'll proceed with  
17 some of the questions.

18 With respect to the staff recommendation, I  
19 guess starting on Page 5 it shows -- excuse me.  
20 Actually Page, yes, Page 5 on Table 1 it shows some of  
21 the estimated monthly bill impacts. And if you look at  
22 the impact to I guess maybe the smaller systems, Sebring  
23 and Indiantown for instance, those impacts are, could be  
24 construed as being somewhat substantial as opposed to a  
25 larger system as Peoples Gas, which is, you know, really

1 incremental.

2 I think the question I have in terms of, you  
3 know, research and development, the Commission staff  
4 notes on the bottom of Page 5 that the rate impact is  
5 minimal and worth the potential benefits of any research  
6 and development projects that could be authorized. What  
7 did staff base that on? Because, again, I see other  
8 references that I'll get into. But I'm kind of  
9 struggling to understand, in a, you know, in a  
10 recessionary environment R&D, you know, is a good thing.  
11 But is this truly R&D or is this just ability to, you  
12 know, spend money and get a return on that? So if staff  
13 could address its reasoning and rationale.

14 **MR. BROWN:** Yes, sir, Commissioner Skop.

15 We believe it is R&D, and the benefit of it  
16 would be possibly today going in and looking at any  
17 potential programs that the company could bring to the  
18 Commission and ask for approval for, and therefore doing  
19 that today could have a benefit. And we understand  
20 there is, you know, a problem with the economic  
21 conditions that are going around, going along today, but  
22 we're looking at it in terms of what could be presented  
23 in the future to allow additional savings to the  
24 customers.

25 **COMMISSIONER SKOP:** But that's where I'm

1 drawing the disconnect because, you know, I see some of  
2 the activities and those are listed at Page 4, and this  
3 is a trade association. Some of the functions include  
4 engineering evaluation, cost-benefit analysis and  
5 looking at things that, you know, might pass various  
6 forms of the E-RIM test and such. But isn't that  
7 already a current job function of the utilities, and so  
8 are we like paying them to do something they should  
9 already be doing here?

10 **MR. BROWN:** That is correct. That is actually  
11 a function that the utility should already be doing.  
12 But we're looking at new products. And I think what  
13 happened was when the utility petitioned us, you know,  
14 one of the things that you've probably already seen in  
15 the recommendation and in the petition was reference to  
16 the R&D programs that the electric utilities have, and  
17 right now there's only one natural gas utility that has  
18 it. And so they were looking at it in that context:  
19 Since we do allow some of our electric utilities to do  
20 that, why not if it's going to bring forth fruition of  
21 more efficient programs and products to the customers?

22 **COMMISSIONER SKOP:** Well, I think the  
23 corollary to why not is what's the benefit? And the  
24 benefit seems a little bit elusive here to find out, you  
25 know, they really have a broad-based proposal of, you

1 know, we might do this, we might do that. It seems very  
2 speculative in nature, yet there is a rate impact. And  
3 I think a follow-on question to that is are they earning  
4 a rate of return on this, on this proposed funding  
5 increase?

6 **MR. BROWN:** There would be no rate of return  
7 just to go to your last question. We would look at this  
8 during the conservation cost recovery clauses.

9 **COMMISSIONER SKOP:** What about, what about  
10 funds invested through the clause? Do they earn a rate  
11 of return on those funds? No?

12 **MR. BROWN:** I don't, no, I don't believe so.

13 **COMMISSIONER SKOP:** Okay. All right.

14 **MR. BROWN:** Because they would have to -- not  
15 to interrupt you, but when they do come before us or if  
16 they do with any programs, the Commission would look at  
17 those programs and we would look at them through the  
18 different tests that we look for and approve them based  
19 on that. And they're not going to -- I mean, I'm not  
20 sure if they're going to spend what we have capped for  
21 them for their programs, 60,000 for some of the  
22 companies, they may not spend that much as well. So the  
23 rate impact could be a little bit less, as you already  
24 know.

25 **COMMISSIONER SKOP:** Okay. Well, if we can go

1 to the last paragraph on the bottom of Page 3, I think,  
2 I think, you know, I'm still trying to put my finger on  
3 is this a good thing or should I be having some, some  
4 legitimate concerns here.

5 And the last sentence, "The use of uniform  
6 programs across all AGDF members has been previously  
7 approved by the Commission, with the establishment of  
8 uniform rebates for new residential construction,  
9 appliance replacement, and appliance retention  
10 programs."

11 Those rebates are in themselves a good thing  
12 because they, by their very nature they promote energy  
13 conservation. So this R&D aspect on top of that, I'm  
14 trying to understand where's the bang for the buck? If  
15 we're already doing rebates and rebates incentivize  
16 conservation and efficiency, that's a good thing, but  
17 I'm not making that connection with how the R&D -- and  
18 why, why is like, you know, appliance manufacturers and,  
19 and some of the other trade associations doing the  
20 things like this instead of we having to authorize the  
21 R&D? I mean, just because utilities have an R&D, again,  
22 that's a different type of service. So, again, I'm  
23 trying to look at that in relation to some of the  
24 monthly bill impact on the smaller systems and get  
25 comfortable. So if --

1           **MR. BROWN:** Okay.

2           **MR. HORTON:** Madam Chairman.

3           **CHAIRMAN ARGENZIANO:** Mr. Horton.

4           **MR. HORTON:** May we, may we respond to that?

5           **CHAIRMAN ARGENZIANO:** Absolutely.

6           **MR. HORTON:** First of all, I'm Norman H.

7           Horton, Jr., on behalf of AGDF. And with me is Mr. Jeff  
8           Householder, and I'm going to ask Mr. Householder to, to  
9           give a response.

10           **CHAIRMAN ARGENZIANO:** Please do.

11           **MR. HOUSEHOLDER:** Good morning. I think it  
12           might be important to this whole discussion to put this  
13           in context. The programs that the gas utilities  
14           currently provide, as Commissioner Skop indicated, are  
15           providing rebates to consumers to encourage them to take  
16           what we believe are the right steps and to install gas  
17           appliances.

18           The R&D dollars that we're considering today  
19           would be directed at improving and enhancing those  
20           existing programs or developing new programs that would  
21           also encourage consumers to, to save natural gas.

22           As an example, we have a tankless water heater  
23           program with a water heater that is much more efficient  
24           than the current standard tank water heaters that we  
25           install. These funds could be used to research the

1 applications of those tankless water heaters both for  
2 domestic water heating purposes, but also for domestic  
3 heating purposes, which is an application that we  
4 believe could significantly save natural gas on the  
5 heating side.

6 **CHAIRMAN ARGENZIANO:** Commissioner Skop.

7 **COMMISSIONER SKOP:** Thank you. And I  
8 understand that and I understand the nature of rebates.  
9 You know, tankless water heaters are currently in  
10 existence. You know, some utilities currently offer  
11 rebates for those.

12 But what I see here is, is basically the R&D  
13 effort seems to be somewhat like passing labor costs  
14 through clause recovery for something that the utility  
15 typically does within its base rates. So it's almost  
16 like you have a job function that you typically do  
17 because it's to propose programs presented to the  
18 Commission, whether they be rebate programs, but  
19 typically that's already done. But now we're saying we  
20 need an R&D effort under a clause so we get recovery on  
21 top of that for things that we should already be doing,  
22 and I think that's what I'm struggling with.

23 **CHAIRMAN ARGENZIANO:** Let me ask staff a  
24 question because I like when companies do research and  
25 development, of course. And taking Commissioner Skop's

1 concerns of course into consideration, but we would be  
2 able to at some point down the road look at what they  
3 are doing as far as R&D and determine at that time if  
4 it's, if it's other than ordinary things that they  
5 should be doing and if it, if it actually is to benefit  
6 and conservation of the gas, and we would get to make  
7 that determination down the line; is that correct?

8 **MR. BROWN:** That is correct. Every year, I  
9 think it's March or April, when we receive the company's  
10 different programs that they're about to do or they show  
11 us what they've done in conservation, before then we go  
12 out and do some audits that our auditing staff does.  
13 And whatever questions that staff may have, they look at  
14 that during then.

15 **CHAIRMAN ARGENZIANO:** And I'm all for  
16 understanding that the company has a certain obligation  
17 to do that just in the regular course of business, but I  
18 also believe that sometimes you give that little extra  
19 help to say go ahead and, and do something that could  
20 turn out to be quite beneficial. And hopefully as we  
21 look at that in the future that's exactly what it does.

22 Commissioner Skop, does that not help you in  
23 knowing that we can get to look at that? We could deny  
24 that in the future if it is not something that is  
25 beneficial or --

1                   **COMMISSIONER SKOP:** And that's fine. I think  
2 my primary concern again on Page 5 was addressing the  
3 impacts on the smaller system. And I don't know if  
4 anything could be done or what staff did to, you know,  
5 take a look at, you know, why they're, for those two  
6 systems the bill impact is so much more substantial.

7                   **CHAIRMAN ARGENZIANO:** Well, that's a good  
8 question to staff. I don't know that it's --

9                   **MR. BROWN:** It depends. What we looked at was  
10 the amount of customers.

11                   **CHAIRMAN ARGENZIANO:** That's what I thought.

12                   **MR. BROWN:** Those two systems only have, I  
13 think it's 4,000 -- let me look specifically to give you  
14 the number.

15                   **CHAIRMAN ARGENZIANO:** Okay.

16                   **MR. BROWN:** Thank you. We looked at the  
17 number of bills and the average them of customers, and  
18 because of the small amount of customers that these,  
19 those two systems have --

20                   **CHAIRMAN ARGENZIANO:** That's how it affects --

21                   **MR. BROWN:** That affects the rate impact.

22                   **CHAIRMAN ARGENZIANO:** And that, that impact  
23 that we see there is the total impact of the monthly  
24 bill.

25                   **MR. BROWN:** Yes. If they use what we think

1 the whole --

2 **CHAIRMAN ARGENZIANO:** Right. The amount.

3 **MR. BROWN:** Correct.

4 **CHAIRMAN ARGENZIANO:** Okay.

5 **COMMISSIONER SKOP:** Thank you, Madam Chair.

6 **CHAIRMAN ARGENZIANO:** Commissioner Skop.

7 **COMMISSIONER SKOP:** Did staff consider a  
8 smaller program cap for those two systems to mitigate  
9 any potential rate impact? I mean, like 30,000 or  
10 25,000, or how did they go about doing this?

11 **CHAIRMAN ARGENZIANO:** Pretty small.

12 **MR. BROWN:** We looked at what was done  
13 previously I believe into one of the IOUs and used that  
14 amount.

15 **COMMISSIONER SKOP:** Madam Chair, if there's no  
16 further questions, I'd move to approve staff  
17 recommendation on Issues 1 and 2.

18 **COMMISSIONER STEVENS:** Second.

19 **CHAIRMAN ARGENZIANO:** All in favor, say aye.

20 (Simultaneous vote.)

21 Opposed, same sign. Show that approved.

22 Thank you very much.

23 (Agenda item concluded.)

24 \* \* \* \* \*

25

1 STATE OF FLORIDA )  
 : CERTIFICATE OF REPORTER  
 2 COUNTY OF LEON )

3  
 4 I, LINDA BOLES, RPR, CRR, Official Commission  
 Reporter, do hereby certify that the foregoing  
 5 proceeding was heard at the time and place herein  
 stated.  
 6

7 IT IS FURTHER CERTIFIED that I  
 stenographically reported the said proceedings; that the  
 same has been transcribed under my direct supervision;  
 8 and that this transcript constitutes a true  
 transcription of my notes of said proceedings.  
 9

10 I FURTHER CERTIFY that I am not a relative,  
 employee, attorney or counsel of any of the parties, nor  
 am I a relative or employee of any of the parties'  
 11 attorneys or counsel connected with the action, nor am I  
 financially interested in the action.  
 12

13 DATED THIS 27<sup>th</sup> day of February,  
 2010.

14  
 15 Linda Boles  
 LINDA BOLES, RPR, CRR  
 16 FPSC Official Commission Reporter  
 (850) 413-6734  
 17  
 18  
 19  
 20  
 21  
 22  
 23  
 24  
 25