

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

DATE: September 30, 2010

TO: Office of Commission Clerk (Cole)

FROM: Division of Regulatory Analysis (Brown) *SMB DJB*
Office of the General Counsel (Teitzman) *AT RT*

RE: Docket No. 100378-EI – Petition for approval of modifications to rate schedule BERS building energy rating system, by Gulf Power Company.

AGENDA: 10/12/10 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\RAD\WP\100378.RCM.DOC

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Case Background

Rule 25-17.003(2)(a), Florida Administrative Code (F.A.C.), defines the Building Energy-Efficiency Rating System (BERS) Audit as an energy analysis of a residence performed in compliance with Section 553.995, Florida Statutes (F.S.), and subsections 9B-60.004(3) and (4) and Rule 9B-60.005, F.A.C. Rule 25-17.003(3)(a), F.A.C., requires utilities to offer eligible residential customers BERS Audits.

On August 17, 2010, Gulf Power Company (Gulf Power or Company) filed a petition for approval of modifications to its BERS rate schedule. Gulf Power seeks approval to modify the fees for audits performed under BERS. Gulf states that its costs of performing the audits have increased as a result of increased labor costs.

DOCUMENT NUMBER-DATE

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Docket No. 100378-EI
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The Commission has jurisdiction over this matter pursuant to Section 366.06, F.S.

Discussion of Issues

Issue 1: Should the Commission approve Gulf Power Company's proposed modification to its BERS Rate Schedule?

Recommendation: Yes. Gulf Power's cost to offer BERS Audits have increased due to rising labor costs. The proposed modifications would increase the amount Gulf Power charges in its BERS Audit fee schedule to reflect the actual costs of the BERS Audit. (Brown)

Staff Analysis: A BERS Audit is an analysis of the energy efficiency of new or existing residences or buildings. These audits are performed by certified individuals, local governments, or private entities. The Audit consists of a rating scale to determine the efficiency of buildings based on their annual energy usage and are usually performed before a facility is sold. The rating scale is divided in three classes which are defined as follows:

- The Class I BERS Rating, the most detailed of the three, is also the most expensive. It includes a couple of on-site audits in which data is collected, and field performance testing to assess potential energy usage.
- The Class II BERS rating also includes an on-site audit to assess potential energy usage, but is less detailed than the Class I BERS rating.
- The Class III BERS rating is the least detailed and expensive of the three. It consists of using house plans to assess potential energy usage.

Gulf Power's proposed fees for BERS Audits are comparable to those currently charged by other Florida investor-owned utilities. Gulf Power's BERS fees are based on homes that have 2,000 square feet or less of living space and contain a single duct system. The price increases for homes larger than 2,000 square feet by an additional \$.10 per square foot. In addition, homes consisting of more than one duct system may be charged an additional \$35.00 for each additional duct system.

Rule 25-17.003(4)(a) states that the amount a public utility charges for a BERS Audit should reflect the actual cost to the utility for performing the audit. Gulf Power's current BERS fee schedule was approved in September 1999. Gulf Power contends that its current BERS fee schedule does not reflect current costs to perform the auditing service. The current petition for modification is the first new cost evaluation performed by Gulf Power since that approval.

Gulf Power stated that cost data for the years prior to 2009 was not available due to the very small number of audits performed. A total of nine audits were performed from the 1999-2008 period. The number of BERS Audits performed by the Company in 2009 and 2010 are twelve and ten respectively. The Company mentions cost increases due to labor as a reason for modifying its current BERS rate schedule. As part of its analysis, staff asked the Company to provide information regarding Gulf Power's actual cost of performing a BERS Audit. The following chart illustrates Gulf Power's cost of performing BERS Audits during the 2009 and 2010 periods:

| Actual Costs of Gulf Power BERS Audit | | | |
|--|---|------------------|--------------------------|
| Rating | Job Tasks | Man Hours | Cost per Man Hour |
| Class I | Initial plans and data input | 1.7 | \$44.00 |
| | Initial travel | 1 | |
| | Field visit and audit data verification | 1 | |
| | Performance testing – two people | 3.5 | |
| | Follow up travel – two people | 2 | |
| | Data interpretation | 1 | |
| | Certification and correspondence | 1 | |
| | Misc. material | | \$20.00 |
| Total | | 11.2 | \$512.80 |
| Rating | Job Tasks | Man Hours | Cost per Man Hour |
| Class II | Field visit and audit data verification | 1.7 | \$44.00 |
| | Travel | 1 | |
| | Data interpretation | 1 | |
| | Certification and Correspondence | 1 | |
| | Total | | 4.7 |
| Rating | Job Tasks | Man Hours | Cost per Man Hour |
| Class III | Initial Plans and data input | 1.7 | \$44.00 |
| | Certification and correspondence | 1 | |
| | Total | | 2.8 |

As mentioned previously, Rule 25-17.003(4)(a) states that a public utility may charge an amount for its BERS audits that reflect the actual cost of performing the service. Gulf Power’s proposal for modification of its BERS fee schedule is based on increased labor costs. The chart below illustrates Gulf Power’s current BERS fee schedules and the proposed fee schedules for BERS Audits which reflects current costs of performing the service:

| Gulf Power’s BERS Fee Schedule | | | | |
|---------------------------------------|-------------------------|--------------------------|------------------------------|-------------------------------|
| Rating | Current New Home | Proposed New Home | Current Existing Home | Proposed Existing Home |
| Class I | \$250 | \$500 | \$250 | \$500 |
| Class II | \$150 | \$200 | \$150 | \$200 |
| Class III | \$100 | \$120 | N/A | N/A |

In conclusion, staff believes the Commission should approve Gulf Power Company's request to modify its BERS rate schedule. During the 1999 through 2008 period, Gulf Power had performed a total of nine BERS Audits. However, during the 2009 and 2010 period, Gulf Power performed a total of 22 BERS Audits. Because of an increase in the costs of labor to perform these audits, Gulf Power seeks Commission approval to modify its fee schedules to more accurately reflect the Company's actual costs of performing a BERS Audit. As part of discovery, staff asked the Company to provide the actual costs of performing a BERS Audit. Staff believes the costs information provided by the Gulf Power does reflect the Company's actual costs of performing the service. In addition, staff compared Gulf Power's proposed fee schedule modifications to current BERS fee schedules of the other Florida investor-owned utilities and find them comparable. Rule 25-17.003(4)(a) states that the amount a public utility charges for a BERS Audit should reflect the actual cost to the utility performing the audit. As such, Gulf Power's modification of its BERS Audit fees should be approved. The modified costs will more accurately reflect Gulf Power's actual cost of performing a BERS audit.

Issue 2: Should this docket be closed?

Recommendation: Yes. If the Commission approves staff's recommendation to approve the proposed modified rate schedule BERS filed by Gulf Power Company, and no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a Consummating Order. (Teitzman)

Staff Analysis: If the Commission approves staff's recommendation to approve the proposed modified rate schedule BERS filed by Gulf Power Company, and no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a Consummating Order.