

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Energy Conservation Cost)	DOCKET NO. 910002-EG
Recovery Factor)	ORDER NO. 24135
)	ISSUED: 02/19/91

Pursuant to Notice, a Prehearing Conference was held on February 4, 1991, in Tallahassee, before Commissioner Betty Easley, Prehearing Officer.

APPEARANCES:

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On behalf of Florida Power Corporation

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On behalf of Florida Power & Light Company

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On behalf of Florida Public Utilities Company and West Florida Natural Gas Company

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On behalf of Gulf Power Company

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On behalf of Tampa Electric Company and City Gas Company of Florida

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On behalf of Peoples Gas System, Inc.

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On behalf of the Florida Industrial Power Users Group

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On behalf of Chesapeake Utilities Corporation

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PREHEARING ORDER

Background

As part of the Commission's continuing fuel and energy conservation cost and purchased gas cost recovery proceedings, a hearing is set for February 20, 21 and 22, 1991 in this docket and in Dockets No. 910001-EI and 910003-GU. The following subjects were noticed for hearing in such dockets:

1. Determination of the Proposed Levelized Fuel Adjustment Factors for all investor-owned utilities for the period April, 1991 through September, 1991;
2. Determination of the Estimated Fuel Adjustment True-Up Amounts for all investor-owned electric utilities for the period October, 1990 through March, 1991, which are to be based on actual data for the period October, 1990 through November, 1990, and revised estimates for the period December, 1990 through March, 1991;
3. Determination of the Final Fuel Adjustment True-Up Amounts for all investor-owned electric utilities for the period April, 1990 through September, 1990, which are to be based on actual data for that period;
4. Determination of Projected Conservation Cost Recovery Factors for certain investor-owned electric and gas utilities for the period April, 1991 through September, 1991.

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5. Determination of the Estimated Conservation True-Up Amounts for certain investor-owned electric and gas utilities for the period October, 1990 through March, 1991, which are to be based on actual data for the period October, 1990 through November, 1990 and revised estimates for the period December, 1990 through March, 1991.
6. Determination of the Final Conservation True-Up Amounts for certain investor-owned electric and gas utilities for the period April, 1990 through September, 1990, which are to be based on actual data for that period;
7. Determination of any Projected Oil Backout Cost Recovery Factors for the period April, 1991 through September, 1991, for the cost of approved oil backout projects to be recovered pursuant to the provisions of Rule 25-17.016, Florida Administrative Code.
8. Determination of the Estimated Oil Backout Cost Recovery True-Up Factors for the period October, 1990 through March, 1991, for the costs of approved oil backout projects to be recovered pursuant to the provisions of Rule 25-17.016, Florida Administrative Code, which are to be based on actual data for the period October, 1990 through November, 1990, and revised estimates for the period December, 1990 through March, 1991.
9. Determination of the Final Oil Backout True-Up Amounts for the period April, 1990 through September, 1990, which are to be based on actual data for that period;
10. Determination of Generating Performance Incentive Factor Targets and Ranges for the period April, 1991 through September, 1991;
11. Determination of Generating Performance Incentive Factor Rewards and Penalties for the period April, 1990 through September, 1990;
12. Determination of the Purchased Gas Adjustment True-Up Amounts for the period April, 1990 through

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September, 1990, to be recovered during the period April, 1991 through September 1991.

Use of Prefiled Testimony

All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and exhibits, unless there is a sustainable objection. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his testimony at the time he or she takes the stand.

Use of Depositions and Interrogatories

If any party seeks to introduce an interrogatory or a deposition, or a portion thereof, the request will be subject to proper objections and the appropriate evidentiary rules will govern. The parties will be free to utilize any exhibits requested at the time of the depositions, subject to the same conditions.

Order of Witnesses

The witness schedule is set forth below in order of appearance by the witness' name, subject matter, and the issues which will be covered by his or her testimony.

Witnesses whose names are preceded by an asterisk have been excused. The parties have stipulated that the testimony of such witnesses will be inserted into the record as though read, and cross-examination will be waived.

	<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
1.	*P.D. Cleveland (FPC)	Components of FPC's conservation plan, associated costs	1-3

	<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
2.	*D. L. Willis (FPL)	ECCR True-Up April - September 1990 ECCR Projections April - September 1991	1-3, 8

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3.	*Peacock (FPUC)	ECCR projections, true-up true-up (Marianna and Fernandina Beach Divisions)	1-3
4.	*J.F. Young (Gulf)	Components of Gulf's Conservation Plan and associated costs	1-3
5.	G.J.Kordecki (TECO)	Conservation Cost Recovery True-Up and Projection	1-4
6.	*S. Sessa (CUC)	Conservation Cost Recovery True-Up and Projection	1-3
7.	T.D. Anderson (CGC)	Conservation Cost Recovery True-Up and Projection	1-3,6, 7a-c
8.	*J.K. Gruetzmacher (PGS)	Components of PGS's Conservation Plan and associated projected and actual costs; true-up and estimated true-up; conservation cost recovery factors	1-3
9.	*D. Parker (SJNG)	Conservation cost recovery true-up and projection	1-3
10.	*C. Arnold (WFNG)	Conservation true-ups, projections	1-3
11.	*Sott (WFNG)	Conservation projections	2-3
12.	*Goodwin (WFNG)	Therm sales projections	2-3

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Exhibits

The parties have stipulated that exhibits marked with an asterisk will be inserted into the record by agreement.

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
* <u>(PDC-1)</u>	Cleveland (FPC)	Schedules C-1 through C-5
* <u>(DLW-1)</u>	Willis (FPL)	Schedules CT-1 through CT-6, with Supplements
* <u>(DLW-2)</u>	Willis (FPL)	Schedules C-1 through C-5, with Supplements
* <u>(MAP-1)</u>	Peacock (FPUC)	Schedules CT-1 through CT-6 (Marianna and Fernandina Beach Divisions)
* <u>(MAP-2)</u>	Peacock (FPUC)	Schedules C-1 through C-5 (Marianna and Fernandina Beach Divisions)
* <u>(JFY-1)</u>	Young (Gulf)	Schedules CT-1 through CT-6
* <u>(JFY-2)</u>	Young (Gulf)	Schedules C-1 through C-5
* <u>(GJK-1)</u>	Kordecki (TECO)	Schedules supporting conservation cost recovery factor, actual April 1, 1990 - September 30, 1990
* <u>(GJK-2)</u>	Kordecki (TECO)	Conservation costs projected for period April 1, 1991 - September 30, 1991
* <u>(SS-1)</u>	Sessa (CUC)	True-up Variance Analysis Schedules CT-1 through CT-6
* <u>(SS-2)</u>	Sessa (CUC)	Projections Recovery Clause Calculation Schedules C-1 through C-5

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<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
* <u>(TDA-1)</u>	Anderson (CGC)	Schedules CT-1 through CT-6, Conservation Cost Recovery True- Up Data, April 1, 1990 through September 30, 1990, filed November 16, 1990
* <u>(TDA-2)</u>	Anderson (CGC)	Revised Schedule CT-1, Page 3 of 17; and CT-3, Pages 8 and 9 of 17, filed January 9, 1991
* <u>(TDA-3)</u>	Anderson (CGC)	Schedules C-1 through C-5, Conservation Cost Recovery Projection Data, April 1, 1991 through September 30, 1991 filed January 9, 1991
* <u>(JKG-1)</u>	Gruetzmacher (PGS)	Conservation cost recovery true-up data (April-September 1990), con- sisting of schedules CT-1 through CT-6.
* <u>(JKG-2)</u>	Gruetzmacher (PGS)	Data for development of conserva- tion cost recovery factor (April- September 1991), consisting of schedules C-1 through C-5.
* <u>(DP-1)</u>	Parker (SJNG)	Schedules Ct-1 through CT-6
* <u>(DP-2)</u>	Parker (SJNG)	Schedules C-1 through C-5
* <u>(CA-1)</u>	Arnold (WFNG)	Schedules CT-1 through CT-6
* <u>(CA-2)</u>	Arnold (WFNG)	Schedules C-1, C-2, C-3, C-4 and C-5

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PARTIES' STATEMENTS OF BASIC POSITION

Florida Power Corporation (FPC):

Florida Power's true-up amounts and cost recovery factor should be approved as filed.

Florida Power & Light Company (FPL):

None necessary.

Florida Public Utilities Company (FPUC):

None necessary.

Gulf Power Company (Gulf):

It is the basic position of Gulf Power Company that the proposed ECCR factors present the best estimate of Gulf's Conservation expense for the period April 1991 through September 1991 including the true-up calculations and other adjustments allowed by the Commission.

Tampa Electric Company (TECO):

The Commission should determine that Tampa Electric has properly calculated its conservation cost recovery true-up and projections and that the appropriate conservation cost recovery factor to be applied by Tampa Electric during the period April 1991 through September 1991 is 0.139 cents per kWh, for firm Customers and 0.008 cents per kWh for interruptible Customers.

Chesapeake Utilities Corporation (CUC):

The Commission should approve CUC's final adjusted net true-up amount of \$21,511.71 (overrecovery) for the period April 1, 1990 through September 30, 1990, and should approve the estimated true-up amount for the six months ending September 30, 1991, the projected conservation program expenses for the period April 1, 1991 through September 30, 1991.

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The Commission should approve the following ECCR factors for the following rate classes for application to bills rendered for meter readings taken between April 1 and September 30, 1991:

<u>Rate Class</u>	<u>ECCR Factor Cents/Therm</u>
GS Residential	3.142
AC Residential	3.089
GS Commercial	1.096
GS Commercial Large Volume	0.570
GS Industrial	0.283

City Gas Company (CGC):

The Commission should determine that City Gas has properly calculated its conservation cost recovery true-up and projections and that the appropriate conservation cost recovery factor to be applied by City Gas during the period April 1991 - September 1991 is 5.429 cents per therm for the Residential rate class, 1.549 cents per therm for the commercial rate class, and 1.552 cents per therm for the Compressed Natural Gas rate class.

Peoples Gas System, Inc. (PGS):

The Commission should approve PGS's final adjusted net true-up amount of \$1,146,599.42 (overrecovery) for the period April-September 1990, and should approve the estimated true-up amount for the six months ending March 31, 1991, and the projected conservation program expenses for the six months ending September 30, 1991.

The Commission should approve the following ECCR factors for the following rate classes for application to bills rendered for meter readings taken between April 1 and September 30, 1991:

<u>Rate Class</u>	<u>ECCR Factor Cents/Therm</u>
Residential	3.842
Commercial	1.528
Commercial - Large Volume 1	0.931
Commercial - Large Volume 2	0.644

St. Joe Natural Gas Company (SJNG):

The Commission should approve the final adjusted net true-up amount for the six month period ending September 30, 1990, including interest, the projected conservation program expenses for the six month period ending September 30, 1991 and the Conservation Cost Recovery Factor to be applied to customer bills rendered for the six month period ending September 30, 1991 as filed by SJNG.

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West Florida Natural Gas Company (WFNG):

None necessary.

Florida Industrial Power Users Group (FIPUG):

FIPUG takes no positions on the issues in this docket, with the exception of the issues related to TECO's conservation factor. As to TECO's conservation factor, FIPUG agrees with TECO's position.

Office of Public Counsel:

A separate docket should be opened to evaluate the prudence and cost-effectiveness of City Gas Company of Florida's conservation programs. FPL's projected conservation costs have shown such a dramatic increase that the utility should be required to provide detailed justification in the upcoming hearing in this docket. TECO's interruptible customers should be charged the same ECCR factor imposed on firm customers.

Staff of the Florida Public Service Commission (Staff):

The appropriate adjusted net true-up amounts, projected net true-up amounts, and Conservation Cost Recovery Factors for the particular periods are as shown.

It is appropriate for the natural gas companies to recover the undercollection of revenue taxes related to conservation revenues for the period January, 1990 through September, 1990 as a result of the increase in the regulatory assessment fee from 1/8% to 3/8% of gross revenues. City Gas Company's conservation cost recovery should be held subject to refund pending a determination of whether the company's conservation programs are cost-effective. Staff takes no position at this time on Tampa Electric Company's proposal to charge interruptible customers an ECCR factor based in part on fuel benefits derived from conservation and load management programs.

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STATEMENT OF ISSUES AND POSITIONS

Issues which are fully stipulated are noted with an asterisk (*).

Generic Energy Conservation Cost Recovery Issues

1. ISSUE: What is the appropriate net true-up amount for the period April through September, 1990?

This Issue is partially stipulated. Companies whose true-up amounts are not in dispute are shown with an asterisk (*).

Staff:

*FPC: Agree with utility:	\$ 12,374 overrecovery.
*FPL: Agree with utility:	\$444,348 underrecovery.
*FPUC: Agree with utility:	
Marianna:	\$ 2,330 underrecovery.
Fernandina Beach:	\$ 7,900 overrecovery.
*GULF: Agree with utility:	\$197,413 overrecovery.
*TECO: Agree with utility:	\$ 75,974 underrecovery.
*CUC: Agree with utility:	\$ 21,512 overrecovery.
CGC:	\$ 64,789 underrecovery, subject to refund pending Commission vote on Issue 6.
*PGS: Agree with utility:	\$1,146,599 overrecovery.
*SJNG: Agree with utility:	\$ 1,140 underrecovery.
*WFNG: Agree with utility:	\$ 83,938 overrecovery.

*FPC: \$ 12,374 overrecovery. (Cleveland)

*FPL: \$ 444,348 underrecovery (adjusted net).
(Willis)

*FPUC: \$ 2,330 underrecovery. (Marianna)
\$ 7,900 overrecovery. (Fernandina Beach)
(Peacock)

*GULF: \$ 197,413 overrecovery. (Young)

*TECO: \$ 75,974 underrecovery, including interest.
(Kordecki)

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*CUC: \$ 21,512 overrecovery.
(Sessa)

CGC: \$ 80,577 underrecovery. (Anderson)

*PGS: \$1,146,599 overrecovery. (Gruetzmacher)

*SJNG: \$ 1,140 underrecovery. (Parker)

*WFNG: \$ 83,938 overrecovery. (Arnold)

FIPUG: FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

OPC:

*FPC: Agree with Staff

*FPL: "

*GULF: "

*TECO: "

*FPUC: Fernandina: Agree with Staff.
Marianna: "

*CUC: Agree with Staff.

CGC: Agree with Staff pending resolution of
Issues 6,7a,7b and 7c.

*PGS: Agree with Staff.

*SJNG: "

*WFNG: "

2. ISSUE: What is the appropriate projected end-of-period total net true-up amount for the period October 1990 through March 1991?

This Issue is partially stipulated. Companies whose true-up amounts are not in dispute are shown with an asterisk (*).

Staff:

*FPC: Agree with utility: \$ 781,448 underrecovery.

*FPL: Agree with utility: \$5,080,298 underrecovery.

*FPUC: Agree with utility:

Marianna: \$ 2,563 underrecovery.

Fernandina Beach \$ 12,068 overrecovery.

*GULF: Agree with utility: \$ 30,816 underrecovery.

*TECO: Agree with utility: \$ 861,455 underrecovery.

*CUC: \$ 32,524 overrecovery pending resolution of
Issue 5.

CGC: \$ 3,490 underrecovery pending resolution of

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Issues 5,6 and 7a-c.

*PGS: \$ 839,307 overrecovery pending resolution of
 Issue 5.
 *SJNG: Agree with utility: \$ 5,057 underrecovery.
 *WFNG: \$ 102,631 overrecovery pending decision on
 Issue 5.

*FPC: \$ 781,448 underrecovery. (Cleveland)

*FPL: \$ 5,080,298 underrecovery, which includes
 interest. (Willis)

*FPUC: \$ 2,563 underrecovery. (Marianna)
 \$ 12,068 overrecovery. (Fernandina Beach)
 (Peacock)

*GULF: \$ 30,816 underrecovery. (Young)

*TECO: \$ 861,455 underrecovery, including interest.
 (Kordecki)

*CUC: Agree with Staff.

CGC: \$ 18,541 underrecovery, including interest.
 (Anderson)

*PGS: Agree with Staff.

*SJNG: \$ 5,057 underrecovery. (Parker)

*WFNG: \$ 103,123 overrecovery. (Arnold, Sott, Goodwin)

FIPUG: FIPUG has no position at this time, but reserves
 the right to take a position on this issue by the date of the
 prehearing conference.

OPC:

*FPC: Agree with Staff.
 *FPL: "
 *GULF: "
 *TECO: "
 *FPUC: Fernandina: Agree with Staff.
 Marianna: "
 *CUC: Agree with Staff.
 CGC: "
 *PGS: "
 *SJNG: "

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*WFNG: "

- 3. **ISSUE:** What is the appropriate conservation cost recovery factor for the period April through September 1991?

This Issue is partially stipulated. Companies whose recovery factors are not in dispute are shown with an asterisk (*).

Staff:

- *FPC: Agree with utility: .224 cents/kWh
- *FPL: Agree with utility: .135 cents/kWh
- *FPUC: Agree with utility:
 - Marianna: .021 cents/kWh
 - Fernandina Beach: .000 cents/kWh
- *GULF: Agree with utility: .033 cents/kWh
- *TECO: No position at this time pending decision on Issue 4.
- *CUC:

<u>Rate Class</u>	<u>ECCR Factor Cents/Therm</u>
GS Residential	3.171
AC Residential	3.119
GS Commercial	1.107
GS Commercial Large Volume	0.576
GS Industrial	0.286

CGC:

<u>Rate Class</u>	<u>ECCR Factor Cents/Therm</u>
Residential	5.323
Commercial	1.519

*PGS:

<u>Rate Class</u>	<u>ECCR Factor Cents/Therm</u>
Residential	3.864
Commercial	1.536
Commercial-Large Volume 1	0.937
Commercial-Large Volume 2	0.648

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*SJNG:

<u>Rate Class</u>	<u>ECCR Factor Cents/Therm</u>
Residential	3.883
Commercial	5.500
Commercial-Large Volume	3.125

*WFNG:

<u>Rate Class</u>	<u>ECCR Factor Cents/Therm</u>
Residential	1.986
Commercial	0.546
Industrial	0.184

With the exception of St. Joe Natural Gas Company, Staff's appropriate conservation cost recovery factors for gas utilities are dependent upon resolution of Issue 5. With respect to City Gas, the factors are also dependent upon the resolution of Issues 6 and 7a-c.

*FPC: 0.224 cents/kWh. (Cleveland)

*FPL: 0.135 cents/kWh. (Willis)

*FPUC: .021 cents/kWh. (Marianna)
 .000 cents/kWh. (Fernandina Beach)
 (Peacock)

*GULF: .033 cents/kWh. (Young)

TECO: 0.139 cents/kWh for firm Customers and
 0.008 cents/kWh for interruptible Customers. (Kordecki)

*CUC: Agree with Staff.

CGC:

<u>Rate Class</u>	<u>ECCR Factor Cents/Therm</u>
Residential	5.429
Commercial	1.549
Compressed Natural Gas	1.552

*PGS: Agree with Staff.

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*SJNG: Agree with staff.

*WFNG: Agree with Staff.

FIPUG: FIPUG agrees with TECO as to TECO's factors. FIPUG takes no position on the other companies' conservation factors.

OPC:

*FPC: Agree with Staff.
 FPL: Agree with Staff pending resolution of Issue 8.
 *GULF: Agree with Staff.
 TECO: Should be levelized for all customer classes based on kilowatt hour sales.
 *FPUC: Fernandina: Agree with Staff.
 Marianna: Agree with Staff.
 *CUC: Agree with Staff.
 CGC: Agree with Staff pending resolution of Issues 6,7a,7b and 7c.
 *PGS: Agree with Staff.
 *SJNG: "
 *WFNG: "

Company-Specific Conservation Cost Recovery Issues

Tampa Electric Company

4. ISSUE: Should TECO's interruptible customers be charged an ECCR factor different from firm customers based on the fuel benefits resulting from conservation and load management programs implemented by TECO?

STAFF: No position at this time.

TECO: Yes. The company's proposed differential fairly apportions the costs of the conservation programs while recognizing the fuel savings achieved by interruptible customers. (Kordecki)

OPC: No.

FIPUG: Agree with TECO.

- 5.* ISSUE: Should the natural gas companies be allowed to recover the undercollection of regulatory fees related to conservation

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revenues for the period January, 1990 through September, 1990 as a result of the increase in the regulatory assessment fee that applied to gross revenues beginning January 1, 1990?

STAFF: Yes. It is appropriate for the natural gas companies to recover the undercollection of revenue taxes related to conservation revenues for the period January, 1990 through September, 1990 as a result of the increase in the regulatory assessment fee from 1/8% to 3/8% that applied to gross revenues beginning January 1, 1990. The amounts to be added to the current periods true-up are as follows:

<u>CUC:</u>	\$ 498 Underrecovery
<u>CGC:</u>	\$1,398 Underrecovery
<u>PGS:</u>	\$8,961 Underrecovery
<u>SJNG:</u>	Amount Immaterial
<u>WFNG:</u>	\$ 492 Underrecovery

CUC: Agree with Staff.

CGC: Agree with Staff's position.

PGS: Agree with Staff.

SJNG: Amount immaterial.

WFNG: Agrees with Staff.

OPC: Agrees with Staff.

6. ISSUE: Should City Gas Company's conservation cost recovery be held subject to refund pending a determination of whether the company's conservation programs are being operated cost-effectively as directed in Commission Order No. 19653?

POSITIONS:

STAFF: Yes. City Gas Company's conservation cost recovery, and related true-ups should be held subject to refund pending Staff's determination of whether the company is operating its conservation programs cost-effectively as directed in Order No. 19653. The determination of this issue should be deferred until the August, 1991 hearings in order to allow Staff sufficient time for discovery. Initial analysis shows that city Gas company should hold past true-ups, including interest, in the amount of \$15,790 as well as all recovery of future conservation costs subject to refund. Based on the

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initial Commission audit report, City Gas Company appears to be in violation of Commission Order No. 19653.

CGC: No. City Gas reads this issue and the Staff's position as a statement by the Staff that they are still reviewing an issue which the Staff believes has a \$15,790 true-up effect and that the Staff will want to take this issue up at the August 1991 hearing. That is acceptable to City Gas. The Company believes that Staff's concern is based on a misinterpretation of the Company's Builder Program and Company records pertaining to that program. The Commission has interpreted its authority to include making adjustments to cost recovery amounts based on prudence findings after approval of the cost recovery. If that is the Commission's position, then there is no need to hold any portion of the Company's conservation cost recovery "subject to refund." Finally, Issue No. 6 refers to Order No. 22812 as having directed cost-effective operation of conservation programs. City Gas has reviewed Order No. 22812 and finds no reference at all to cost-effectiveness. (Anderson)

OPC: Yes.

- 7a. ISSUE: Are the costs that City Gas has submitted for recovery through the conservation clause reasonable, prudent and appropriate for recovery through the conservation clause?

POSITIONS:

OPC: As a result of evidence discovered during City Gas' rate case proceeding (Docket No. 891175-GU), and Staff's supplemental audit report filed January 14, 1991 (Docket No. 910002-EG), it appears that certain costs submitted for recovery through the conservation clause are not appropriate for recovery.

Staff's audit has revealed that at least \$15,321 (including interest) should be refunded for the double payments of incentives through the builder programs. Evidence discovered during the company's rate case revealed that the company has submitted the costs of free gas grills and other gas appliances through the builder programs.

The Citizens request that an investigative docket be opened for all of City Gas's conservation programs to determine the prudence and propriety of costs submitted for recovery. The cost effectiveness of these programs should also be re-evaluated. The Citizens request that all revenues

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collected by City Gas (since October 1, 1988) be held subject to refund pending resolution of this investigative docket.

STAFF: No. Incentive payments made through the Single Family Home Builder and the Multi-Family Home Builder where no appliances are installed are not appropriate and should not be recovered through the conservation clause. The determination of the amount to be disallowed should be deferred until the August, 1991 hearing to allow Staff sufficient time for additional discovery. The Commission should order past true-ups, as well as all recovery of future conservation costs relating to these programs held subject to refund. This should be done concurrently with the determination in Issue 6.

CGC: Yes. Public Counsel's position draws inappropriate conclusions from a preliminary Staff analysis which the Staff itself indicates is incomplete. Public Counsel's request for an "investigative docket" is totally unfounded. If Public Counsel wishes to raise any specific issues regarding City Gas' conservation cost recovery, he is free to do so in this docket. At this point in time, Public Counsel has done nothing more than request exactly what these semi-annual hearings in this docket are designed to do, that is, to afford Public Counsel and any other affected person an opportunity to raise issues concerning the conservation cost recovery by the participating utilities. Public Counsel's request for an "investigative docket" is unsubstantiated, would duplicate the function of this proceeding, and should be rejected.

Finally, with respect to Public Counsel's and the Staff's suggestion that conservation revenues be collected "subject to refund," the Commission has interpreted its authority to include making adjustments to cost recovery amounts based on prudence findings after approval of the cost recovery. If that is the Commission's position, then there is no need to hold any portion of the Company's conservation cost recovery "subject to refund." (Anderson)

- 7b. ISSUE: Is it appropriate for City Gas to pay incentives to a customer under the conservation programs and then lease appliances to that customer through its lease program?

POSITIONS:

OPC: No. In the submittal of its conservation programs, City Gas represented to the Commission Staff that no customer would be allowed to participate in both a conservation program and the lease appliance program. (Attachment A). Contrary to that

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representation, the lease appliance program is, and has been, promoted in conjunction with the conservation builder and electric resistance appliance replacement programs.

In the majority of cases (reviewed by Public Counsel during discovery), a customer will receive an incentive for one type of appliance through the electric resistance appliance replacement program (program 3). That customer will then sign a lease for another type of appliance during the same month that the incentive was received through the conservation program. The Citizens question the separation of installation costs between programs when this happens. For instance, in the above situation, when the lease was reviewed, the permit attached to the lease was not only for the gas hookup of the leased appliance, but also for the appliance installed through the conservation program. Evidence has also been found that suggest that the same thing is happening between the builder program and the lease program.

An investigative docket should be opened to fully evaluate and determine the appropriateness and propriety of costs passed through the conservation programs. Any cross-subsidization between the conservation programs and lease program should be evaluated and addressed by the Commission.

STAFF: No. As stated by City Gas during the approval of its conservation programs, the leased appliance program and the conservation programs should be operated on a separate and stand-alone basis. It is upon that basis that the conservation programs were approved in Order No. 22812.

CGC: Yes. It is altogether appropriate for City Gas to pay a customer an incentive for one gas appliance and to lease the same customer a different gas appliance. Put differently, it would not be appropriate to deprive a customer from participating in the leased appliance program simply because they have received incentives through the conservation programs for different appliances and/or piping. This would be counterproductive, if not discriminatory, and would not be consistent with the ultimate goal of promoting the use of natural gas to the benefit of all ratepayers. (Anderson)

- 7c. **ISSUE:** Are City Gas' Dealer, Single-Family Home Builder, Multi-Family Home-Builder and Electric Appliance Replacement programs cost effective?

POSITIONS:

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OPC: Evidence was discovered during City Gas's last rate case that suggest that the total costs of the builder programs were not included for evaluation by the Commission when the programs were submitted for approval. Without the inclusion of the total costs in the program submittals, the Commission cannot know the actual cost-effectiveness of these programs.

During the rate case it was discovered that City Gas was still accruing costs to a deferred piping account (in working capital), for installation, piping, and venting costs that the company incurs in excess of what is recovered through conservation cost recovery. It was also discovered during the rate case proceeding that City Gas books the cost of free gas water heaters and free gas grills to this deferred account. The Citizens question whether any of the cost related to the give away of free gas appliances is or has been recovered through conservation. Because the deferred account is directly related to the builder programs, the Citizens believe that this issue should also be investigated.

As stated in issue 7b. due to the promotion of the conservation programs with the utility's lease appliance program, the Citizens also question the cost effectiveness of the other programs on a stand alone basis.

STAFF: It cannot be determined whether these programs, as operated, are cost-effective at this time. This determination should be deferred until the August, 1991 hearing to allow Staff sufficient time for additional discovery.

CGC: Yes. In Order No. 19653 issued in Docket No. 880267-EG on July 11, 1988, the Commission concluded:

Based on the foregoing, we find that City Gas's five-point conservation plan should be approved. All aspects of the plan meet the criteria of contribution to conservation goals [and] monitorability. Four of the programs clearly meet our cost effectiveness criterion and the fifth, school program, even if below marginal cost-effectiveness, does not render the other programs non-cost effective. City Gas will, therefore, be authorized to seek recovery of the reasonable costs associated with these programs in the Commission's generic conservation cost recovery proceedings. (Emphasis supplied)

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Subsequent to the above order, City Gas' conservation programs have been continually audited by the Commission's Staff and available for examination by OPC. No evidence has been presented to detract from the cost-effectiveness findings set forth in Order No. 19653. (Anderson)

Florida Power & Light Company

8. **ISSUE:** Are FPL's projected conservation program costs for the period April, 1991 through September, 1991 reasonable and appropriate for recovery through the conservation clause?

POSITIONS:

OPC: The Citizens withdraw this issue at this time.

FPL: Yes. FPL will conduct twenty-two (22) conservation programs during the period April, 1991 through September 1991. This is more than double the number of programs conducted for the same period in 1990. The twenty-two planned conservation programs were explicitly approved by the Commission in FPL's Demand Side Management Plan docket in October, 1990, and all the projected expenses are attributable to developing and implementing these approved programs. Moreover, all the projected costs are explained in detail in FPL's Schedules C2-C5 filed in this docket as required by the Commission.

STAFF: No position at this time.

STIPULATED ISSUES

Stipulations entered into by parties, including Commission staff, are subject to Commission approval. If record evidence is developed which refutes stipulated issues, Commission staff will make its recommendation to the Commission based on the record. Issue 5 is fully stipulated. Issues 1,2 and 3 are partially stipulated.

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MOTIONS

None pending at this time.

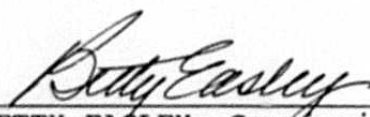
OTHER MATTERS

None pending at this time.

Based on the foregoing, it is

ORDERED by Commissioner Betty Easley, Prehearing Officer, that these proceedings shall be governed by this order unless modified by the Commission.

By ORDER of Commissioner Betty Easley, Prehearing Officer,
this 19th day of FEBRUARY, 1991.



BETTY EASLEY, Commissioner
and Prehearing Officer

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Conservation Cost Recovery
 Calculation Worksheet
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*** NATURAL GAS UTILITIES ***

WEST FLORIDA NATURAL GAS

Issue	Company Position	Pub. Counsel Position	Difference Co. & PC	Staff Position	Difference Co. & Staff
Prior Period ADJUSTED NET True-Up - Apr'90/Sep'90 (Over)/Under Recovery	(\$83,938)	NA	\$0	(\$83,938)	\$0
Current Period ESTIMATED True-up - Oct'90/Mar'91 (Over)/Under Recovery	(\$103,123)	NA	\$0	(\$102,631)	(\$492)
Future Period Projections Estimated Costs Apr'91/Sep'91	\$195,040	NA	\$0	\$195,040	\$0
(Over)/Under Recovery Estimated - Oct'90/Mar'91	(\$103,123)	NA	\$0	(\$102,631)	(\$492)
TOTAL to Recover Estimated - Apr'91/Sep'91	\$91,917	NA	\$0	\$92,409	(\$492)

*** NATURAL GAS UTILITIES ***

Issue	CHESAPEAKE UTILITIES CORPORATION					CITY GAS COMPANY				
	Company Position	Pub. Counsel Position	Difference Co. & PC	Staff Position	Difference Co. & Staff	Company Position	Pub. Counsel Position	Difference Co. & PC	Staff Position	Difference Co. & Staff
Prior Period ADJUSTED NET True-Up - Apr '90/Sep '90 (Over)/Under Recovery	(\$21,512)	NA	\$0	(\$21,512)	\$0	\$60,577	NA	\$0	\$64,789	\$15,788
Current Period ESTIMATED True-up - Oct '90/Mar '91 (Over)/Under Recovery	(\$33,022)	NA	\$0	(\$32,524)	(\$498)	\$18,541	NA	\$0	\$3,490	\$15,051
Future Period Projections Estimated Costs Apr '91/Sep '91	\$85,268	NA	\$0	\$85,268	\$0	\$754,760	NA	\$0	\$754,760	\$0
(Over)/Under Recovery Estimated - Oct '90/Mar '91	(\$33,022)	NA	\$0	(\$32,524)	(\$498)	\$18,541	NA	\$0	\$3,490	\$15,051
TOTAL to Recover Estimated - Apr '91/Sep '91	\$52,244	NA	\$0	\$52,742	(\$498)	\$773,301	NA	\$0	\$758,250	\$15,051

Issue	PEOPLES GAS SYSTEM, INC.					ST JOE NATURAL GAS COMPANY				
	Company Position	Pub. Counsel Position	Difference Co. & PC	Staff Position	Difference Co. & Staff	Company Position	Pub. Counsel Position	Difference Co. & PC	Staff Position	Difference Co. & Staff
Prior Period ADJUSTED NET True-Up - Apr '90/Sep '90 (Over)/Under Recovery	(\$1,146,599)	NA	\$0	(\$1,146,599)	\$0	\$1,140	NA	\$0	\$1,140	\$0
Current Period ESTIMATED True-up - Oct '90/Mar '91 (Over)/Under Recovery	(\$848,268)	NA	\$0	(\$839,307)	(\$8,961)	\$5,057	NA	\$0	\$5,057	\$0
Future Period Projections Estimated Costs Apr '91/Sep '91	\$2,467,394	NA	\$0	\$2,467,394	\$0	\$20,706	NA	\$0	\$20,706	\$0
(Over)/Under Recovery Estimated - Oct '90/Mar '91	(\$848,268)	NA	\$0	(\$839,307)	(\$8,961)	\$5,057	NA	\$0	\$5,057	\$0
TOTAL to Recover Estimated - Apr '91/Sep '91	\$1,619,126	NA	\$0	\$1,628,087	(\$8,961)	\$25,763	NA	\$0	\$25,763	\$0

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*** NATURAL GAS UTILITIES ***
ESTIMATED ECCR CHARGES BY RATE CLASSIFICATION BASED ON TOTAL CONTRIBUTION
FOR THE PERIOD - APRIL, 1991 / SEPTEMBER, 1991

CHESAPEAKE UTILITIES CORPORATION

Staff Position	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(1) RATE CLASS	BILLS	THERM SALES	TOTAL CUSTOMER CHARGE	NON-GAS ENERGY CHARGE	TOTAL (4+5)	TOTAL ESTIMATED ECCR	% SURCHARGE	DOLLARS PER THERM	REVENUE TAX	ADJUSTMENT FACTOR
GS - RESIDENTIAL	38,142	610,507	241,493	261,022	502,515	18,999	3.78%	0.03112	1.01911	0.03171
AC - RESIDENTIAL	839	14,249	5,454	6,080	11,534	436	3.78%	0.03060	1.01911	0.03119
GS - COMMERCIAL	4,530	1,671,918	64,605	415,572	480,177	18,154	3.78%	0.01086	1.01911	0.01107
GS - COMMERCIAL - LV	144	586,588	2,700	84,938	87,638	3,313	3.78%	0.00565	1.01911	0.00576
GS - INDUSTRIAL	180	4,217,543	6,174	306,953	313,127	11,839	3.78%	0.00281	1.01911	0.00286
INTERRUPTIBLE	0	0	0	0	0	0	3.78%	0.00000	1.01911	0.00000
TOTAL	43,835	7,100,805	320,426	1,074,565	1,394,991	52,742	3.78%	0.00743	1.01911	0.00757

CITY GAS COMPANY

Staff Position	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(1) RATE CLASS	BILLS	THERM SALES	TOTAL CUSTOMER CHARGE	NON-GAS ENERGY CHARGE	TOTAL (4+5)	TOTAL ESTIMATED ECCR	% SURCHARGE	DOLLARS PER THERM	REVENUE TAX	ADJUSTMENT FACTOR
RS - RESIDENTIAL	457,231	8,400,415	2,719,302	2,955,684	5,674,986	445,509	7.85%	0.05303	1.00376	0.05323
CS - COMMERCIAL	25,965	20,665,026	311,580	3,672,175	3,983,755	312,741	7.85%	0.01513	1.00376	0.01519
INTERRUPTIBLE	0	0	0	0	0	0	7.85%	0.00000	1.00376	0.00000
TOTAL	483,196	29,065,441	3,030,882	6,627,859	9,658,741	758,250	7.85%	0.02609	1.00376	0.02619

*** NATURAL GAS UTILITIES ***
 ESTIMATED ECCR CHARGES BY RATE CLASSIFICATION BASED ON TOTAL CONTRIBUTION
 FOR THE PERIOD - APRIL, 1991 / SEPTEMBER, 1991

PEOPLES GAS SYSTEM, INC.

Staff Position										
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
<u>RATE CLASS</u>	<u>BILLS</u>	<u>THERM SALES</u>	<u>TOTAL CUSTOMER CHARGE</u>	<u>NON-GAS ENERGY CHARGE</u>	<u>TOTAL (4+5)</u>	<u>TOTAL ESTIMATED ECCR</u>	<u>% SURCHARGE</u>	<u>DOLLARS PER THERM</u>	<u>REVENUE TAX</u>	<u>ADJUSTMENT FACTOR</u>
RESIDENTIAL	919,430	13,830,000	6,436,010	4,507,760	10,943,760	532,350	4.86%	0.03849	1.00376	0.03864
COMMERCIAL	97,280	21,743,000	1,653,760	5,186,575	6,840,335	332,743	4.86%	0.01530	1.00376	0.01536
COMMERCIAL - LG VOLUME 1	25,630	64,400,000	666,380	11,691,176	12,357,556	601,123	4.86%	0.00933	1.00376	0.00937
COMMERCIAL - LG VOLUME 2	558	25,071,000	41,850	3,285,805	3,327,655	161,871	4.86%	0.00648	1.00376	0.00648
INTERRUPTIBLE	0	0	0	0	0	0	4.86%	0.00000	1.00376	0.00000
TOTAL	1,042,898	125,044,000	8,798,000	24,671,306	33,469,306	1,628,087	4.86%	0.01302	1.00376	0.01307

ST JOE NATURAL GAS COMPANY

Staff Position										
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
<u>RATE CLASS</u>	<u>BILLS</u>	<u>THERM SALES</u>	<u>TOTAL CUSTOMER CHARGE</u>	<u>NON-GAS ENERGY CHARGE</u>	<u>TOTAL (4+5)</u>	<u>TOTAL ESTIMATED ECCR</u>	<u>% SURCHARGE</u>	<u>DOLLARS PER THERM</u>	<u>REVENUE TAX</u>	<u>ADJUSTMENT FACTOR</u>
RESIDENTIAL	15,095	515,389	45,285	10,153	55,438	19,639	35.42%	0.03810	1.01911	0.03883
COMMERCIAL	1,026	39,843	5,130	940	6,070	2,150	35.42%	0.05397	1.01911	0.05500
COMMERCIAL - LG VOLUME	270	129,591	5,400	5,819	11,219	3,974	35.42%	0.03067	1.01911	0.03125
INTERRUPTIBLE	0	0	0	0	0	0	35.42%	0.00000	1.01911	0.00000
INTERRUPTIBLE - LG VOLUM	0	0	0	0	0	0	35.42%	0.00000	1.01911	0.00000
TOTAL	16,391	684,823	55,815	16,912	72,727	25,763	35.42%	0.03762	1.01911	0.03834

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*** NATURAL GAS UTILITIES ***
 ESTIMATED ECCR CHARGES BY RATE CLASSIFICATION BASED ON TOTAL CONTRIBUTION
 FOR THE PERIOD - APRIL, 1991 / SEPTEMBER, 1991

WEST FLORIDA NATURAL GAS

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
STAFF POSITION			TOTAL	NON-GAS	TOTAL	TOTAL	%	DOLLARS	REVENUE	ADJUSTMENT
<u>RATE CLASS</u>	<u>BILLS</u>	<u>THERM</u>	<u>CUSTOMER</u>	<u>ENERGY</u>	<u>(4+5)</u>	<u>ECCR</u>	<u>SURCHARGE</u>	<u>PER THERM</u>	<u>TAX</u>	<u>FACTOR</u>
RESIDENTIAL	129,454	2,513,009	776,724	665,545	1,442,269	48,976	3.40%	0.01949	1.01911	0.01986
COMMERCIAL	10,898	5,749,875	163,470	743,344	906,814	30,793	3.40%	0.00536	1.01911	0.00546
INDUSTRIAL	31	7,003,294	22,748	349,465	372,213	12,640	3.40%	0.00180	1.01911	0.00184
TOTAL	140,383	15,266,178	962,942	1,758,354	2,721,296	92,409	3.40%	0.00605	1.01911	0.00617

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