

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Notice of filing cost-effectiveness evaluation of energy conservation programs and request for approval of programs by Florida Division of Chesapeake Utilities Corporation.

DOCKET NO. 980427-G"
ORDER NO. PSC-98-1079-FOF-GU
ISSUED: August 10, 1998

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING AMENDMENTS TO CONSERVATION PROGRAMS

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the 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 October 17, 1994, Docket No. 941104-EG was opened to evaluate the existing natural gas conservation cost/benefit methodology, and determine whether the methodology should continue to be used, or whether it should be replaced by a new methodology.

On March 20, 1996, we adopted Rule 25-17.009, Florida Administrative Code, and an amended version of the cost effectiveness methodology.

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 Form PSC/EAG/18 (4/96), entitled the "Florida Public Service Commission Cost Effectiveness Manual for Natural Gas Utility Demand Side Management

DOCUMENT NUMBER-DATE

08448 AUG 10 98

FPSC-RECORDS/REPORTING

Programs." Since the rule was adopted, we have opened three dockets to review the conservation programs offered by Peoples Gas System, City Gas Company of Florida, and Chesapeake Utilities Corporation (CUC).

On March 25, 1998, CUC submitted the cost effectiveness test results for seven conservation programs. The seven programs include: Residential Home Builder, Residential Appliance Replacement, Residential Propane Distribution, Residential Water Heater Retention, Natural Gas Space Conditioning for Residential Homes, Natural Gas Space Conditioning (non-residential), and Conservation Education.

On March 25, 1998, CUC submitted its analysis of all existing and new conservation programs. All programs were evaluated using a Participants Screening Test and a Gas Ratepayer Impact Test (G-RIM). CUC's filing showed that six of the seven programs passed both the Participants Test and the G-RIM Test. The Participants Test and the G-RIM Test were not applied to the Conservation Education Program.

A meeting with CUC was held on June 4, 1998, to discuss the programs and data submitted in its filing. As a result of this meeting, CUC submitted corrected cost effectiveness data on June 11, 1998.

Of the seven programs proposed by CUC, two programs are existing programs, two are existing programs with modifications, and three are new programs. The two existing programs include the Residential Home Builder Program and the Conservation Education Program. Eligibility standards remain the same for both programs. The Residential Home Builder Program provides incentive payments for the installation of natural gas appliances in residential homes. The only change is in the incentive amounts, which increased by \$55 for the water heater, \$55 for the furnace, \$38 for the dryer, and \$38 for the range. The Conservation Education Program involves the distribution of information through the use of brochures, on-site speeches to community groups and schools. CUC also offers no-cost walk-through energy audits on proper use of natural gas appliances and conservation advice. While it is extremely difficult to conduct a cost/benefit analysis of this program, we believe that consumer education serves a useful purpose, and should be approved. Over the past 5 years, CUC has expended and recovered \$93 for the Conservation Education Program.

The two existing programs that are being modified are the Residential Appliance Replacement Program and the Natural Gas Space Conditioning Program(non-residential). CUC is proposing to replace two of its existing programs (Water Heater Replacement Program and Replacement of Electric Strip and Oil Heating Program) with the Residential Appliance Replacement Program. CUC's original incentive amounts for the programs being replaced were approved in 1982 in Order No. 11451, issued December 27, 1982, Docket No. 820430-EG and modified in 1985 in Order No. 14021, issued January 22, 1985, Docket No. 820430-EG-A. No changes to these incentive amounts have been made since 1985. CUC also proposes the addition of clothes dryer outlet and range incentives of \$50 each. CUC's proposed modification to its Natural Gas Space Conditioning Program involves applicability standards. Currently, CUC's space conditioning program is available to all customer classes. The modification would limit participation to non-residential customers. CUC is proposing a new space conditioning program for residential customers.

CUC is seeking approval of three new programs including: Residential Water Heater Retention, Natural Gas Space Conditioning for Residential Homes, and Residential Propane Distribution.

The Residential Water Heater Retention Program is a new program designed to encourage the continued use of natural gas in the home and avoid abandonment activities by CUC. The program offers an incentive to customers and dealers when replacement of the natural gas water heater is a necessity. The dealer and customer are given the incentive when the heater is actually replaced by a new natural gas water heater. Keeping customers on the system benefits both existing customers and CUC since the fixed infrastructure costs can be spread over as many customers as possible.

The Natural Gas Space Conditioning for Residential Homes Program is designed to encourage the use of energy efficient natural gas air conditioning products in both newly constructed and retrofit homes. The cost of natural gas space conditioning equipment is significantly higher than its electric counterparts. While the equipment costs are higher, CUC's analyses of the life cycle costs of using natural gas in space conditioning applications reveals that the participating customer and CUC's existing ratepayers will benefit. The benefit to gas ratepayers will be realized in two ways: increasing summer load when capacity is

ORDER NO. PSC-98-1079-FOF-GU
DOCKET NO. 980427-GU
PAGE 4

greater than demand; and spreading the cost of existing facilities over a larger throughput.

CUC's Residential Propane Distribution Program is designed to promote the use of gas within developments that are built beyond the economic extension of the Company's existing natural gas infrastructure. Under CUC's program, an underground propane system will be installed and will be used until it is economically feasible to extend the natural gas lines to the development.

According to CUC, the system will be capable of flowing natural gas with an adjustment to the orifices, once the main line reaches the underground system. Prior to the conversion, the infrastructure costs will not be included in the rate base. Only at the time of conversion to natural gas will the transfer of assets occur at net book value, and incentive recovery and administrative costs be sought.

After reviewing CUC's Residential Propane Distribution Program, additional information was requested to demonstrate support for the program. The primary concern was with the cost comparison between a buried propane distribution system and a natural gas distribution system. CUC provided data relating to an actual proposed development that will benefit from the propane distribution system. When the Maximum Allowable Construction Costs between the two, it was found that the installation of a propane distribution system was more cost effective by over \$51,000. The Contribution in Aid of Construction could amount to over \$73,000, if a natural gas main extension were to be constructed. In addition, as growth occurs between the existing natural gas infrastructure and the subdivision, the natural gas system will be extended and the houses within the underground propane distribution system will be converted to natural gas. Entire developments will be captured with this program, as compared to only a handful of houses converting later to natural gas.

Based on CUC's responses to the data requests, and its amended filing, we believe that CUC's analysis is thorough, complete and complies with the requirements of Rule 25-17.009, Florida Administrative Code. Accordingly, all of CUC's Conservation Programs, as amended, are hereby approved.

ORDER NO. PSC-98-1079-FOF-GU
DOCKET NO. 980427-GU
PAGE 5

Based on the foregoing, it is

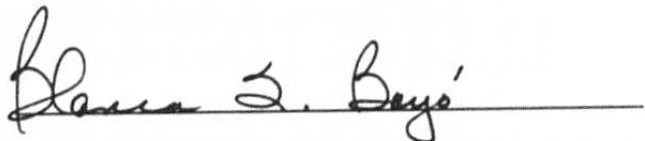
ORDERED by the Florida Public Service Commission that all of Florida Division of Chesapeake Utilities Corporation's conservation programs, as amended, are approved as set forth in the body of this Order. It is further

ORDERED that if a protest is filed within twenty-one days from the date of issuance of this Order, the programs previously approved shall remain in effect, pending the resolution of the protest. Programs not previously approved shall not be implemented until after resolution of the protest.

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective 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 or Judicial Review" attached hereto. It is further

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

By ORDER of the Florida Public Service Commission this 10th day of August, 1998.

A handwritten signature in cursive script, reading "Blanca S. Bayó", is written over a horizontal line.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

LJP

ORDER NO. PSC-98-1079-FOF-GU
DOCKET NO. 980427-GU
PAGE 6

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 or judicial review of Commission orders that is available under Sections 120.57 or 120.68, 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 or judicial review 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 August 31, 1998.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date.

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.

If this order becomes final and effective on the date described above, any party substantially affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.