

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for authority to  
implement Good Cents Conversion  
Program by Gulf Power Company.

DOCKET NO. 981591-EG  
ORDER NO. PSC-99-0684-FOF-EG  
ISSUED: April 7, 1999

The following Commissioners participated in the disposition of  
this matter:

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

NOTICE OF PROPOSED AGENCY ACTION ORDER DENYING  
PETITION TO IMPLEMENT GOOD CENTS CONVERSION PROGRAM

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.

BACKGROUND

The Florida Energy Efficiency and Conservation Act (FEECA), Sections 366.80 - 366.85, Florida Statutes, requires the Commission to adopt goals to reduce and control the growth rates of electric consumption and weather-sensitive peak demand. In Docket No. 930551-EG, the Commission set numeric demand-side management (DSM) goals for Gulf Power Company (Gulf) (Order No. PSC-94-1313-FOF-EG, issued October 25, 1994). Gulf's DSM Plan, designed to meet these goals, was approved by the Commission in Docket No. 941172-EG (Order No. PSC-95-0691-FOF-EI, issued June 9, 1995 and Order No. PSC-95-0691A-FOF-EI, issued July 5, 1995).

On November 12, 1998, Gulf requested approval of its proposed Good Cents Conversion Program (Program). Gulf's petition requests approval to recover Program expenses through the Energy Conservation Cost Recovery (ECCR) clause. The Program offers participating customers a one-time \$200 rebate, as well as a \$50 rebate for qualifying heating/cooling contractors, to install high-

DOCUMENT NUMBER-DATE

04468 APR-79

FPSC-RECORDS/REPORTING

efficiency electric heat pump systems as a replacement for existing air conditioning units and natural gas, fuel oil, or propane heating systems. All heat pumps installed under the Program must have a minimum Seasonal Energy Efficiency Rating (SEER) of 11.0.

All residential customers in Gulf's service territory whose homes have an existing combustion furnace fueled by natural gas, fuel oil, or propane are eligible to participate in the Program. Customers whose homes have existing electric strip heat or heat pumps are not eligible to participate. Gulf plans to target, for program participation, customers with existing equipment that is 10 to 15 years old with an average SEER of 7.0. Gulf will require that an on-site energy audit be performed on the residence prior to payment of applicable rebates.

We have two concerns with Gulf's proposed Program: (1) it is expected to increase winter peak demand; and (2) it does not represent energy conservation, but, rather, electricity competing with natural gas.

#### **Winter Peak Demand Increase**

Any DSM program that requires the replacement of non-electric heating equipment with an electric heat pump, no matter how efficient the new unit, will still increase winter peak demand. Gulf's Program pays rebates only for the replacement of natural gas, fuel oil, or propane heating systems. Customer participation in the Program is expected to increase Gulf's system winter peak demand by a total of 22 MW, or 4.4 kW per participant.

It should be noted that for Gulf's system in particular, and Southern Company's system in general, peak demand occurs in the summer season. For this reason, Gulf believes that any DSM program that reduces summer peak demand will also reduce the need for future generating unit additions. Gulf estimates that the Program will decrease total summer peak demand by 9.5 MW (1.9 kW per participant) and total annual energy consumption by 5150 MWh (1,030 kWh per participant). These estimates are based on Gulf's assumption that customers will be replacing an existing 7.0 SEER air conditioner with an 11.0 SEER heat pump. Based on Gulf's responses to discovery, energy savings from energy-efficient air conditioning during summer months are expected to more than offset increased energy consumption during winter months.

Gulf's demand and energy assumptions are based on the belief that a \$200 customer rebate will entice customers to replace functioning, though inefficient, equipment. However, residential customers are not likely to replace existing equipment unless it fails. New equipment must meet a minimum SEER of 10.0 as required by Florida's building code. Therefore, in reality, Gulf's Program will capture only the demand and energy savings associated with upgrading from 10.0 SEER to 11.0 SEER. Based on this realistic assumption, Gulf estimates that the Program will decrease total summer peak demand by 1.5 MW (0.3 kW per participant). Total annual energy consumption under this scenario, however, is estimated to increase by 6950 MWh (1,390 kWh per participant). There would be no change in the forecasted winter peak demand increase under this scenario because it, like Gulf's base case assumptions, require the replacement of a natural gas heating system with an electric heat pump.

#### **Natural Gas Competition**

Generally, electric utility conservation programs serve to reduce weather-sensitive peak electrical demand. Unlike electric utilities, however, gas utilities spend money on programs that often promote increased gas consumption. We have historically approved these types of gas conservation programs because they deferred or eliminated the need for future power plant construction or reduced Florida's reliance on petroleum fuels. While gas conservation programs are now approved based upon passage of a gas ratepayer impact measure, these gas programs still serve to reduce electricity consumption and/or peak demand.

Gulf's Program is forecasted to increase winter peak demand. The irony of the Program is that, if approved, gas customers located in Gulf's service territory would pay two ECCR factors for conflicting purposes: one to Gulf for a DSM program that decreases gas load; and, one to the gas utility for programs designed to increase gas load. Such conflicts arise when there exists an electric program that serves to replace existing gas-fired equipment. In large part, Gulf's Program is not energy conservation but, rather, electricity competing with natural gas. The use of conservation programs as a competitive tool was not intended by the Florida Energy Efficiency and Conservation Act (FEECA).

ORDER NO. PSC-99-0684-FOF-EG  
DOCKET NO. 981591-EG  
PAGE 4

Because this program is expected to increase winter peak demand and is likely to increase annual kilowatt hour consumption, it does not appear to be consistent with the Florida Energy Efficiency and Conservation Act. Therefore, Gulf's petition to implement its Good Cents Conversion Program, with cost recovery through the Energy Conservation Cost Recovery Clause is denied. Should Gulf determine that this program is appropriate for recovery through base rates, it shall file a separate petition for approval, and associated tariff sheets for our review.

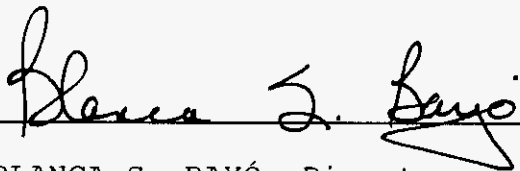
Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Gulf Power Company's petition to implement its Good Cents Conversion Program is denied.

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 7th day of April, 1999.



Handwritten signature of Blanca S. Bayó in cursive script, written over a horizontal line.

BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )

TRC

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 April 28, 1999.

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.