

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for approval of modifications to approved energy conservation programs by Florida Division of Chesapeake Utilities Corporation.	DOCKET NO. 060772-EG ORDER NO. PSC-07-0197-PAA-EG ISSUED: March 5, 2007
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The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman
MATTHEW M. CARTER II
KATRINA J. McMURRIAN

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING MODIFICATION TO ENERGY 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.

Background

Section 366.81, Florida Statutes, known as the Florida Energy Efficiency and Conservation Act (FEECA) gives the Commission authority to oversee electric and natural gas conservation programs. On March 20, 1996, the Commission adopted Rule 25-17.009, Florida Administrative Code, which sets forth the cost effectiveness methodology for natural gas conservation programs.

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 ITS cost effectiveness test results of the Participants Test and the Gas Rate Impact Measure (G-RIM) 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 Programs." As long as the programs pass the Participants and G-RIM Tests with a score of one or greater, they are deemed cost effective for a company to offer and beneficial for customers.

On November 29, 2006, Chesapeake Utilities Corporation ("Chesapeake") petitioned for approval of modifications to its approved energy conservation programs. Chesapeake is seeking Commission approval to rename certain programs, modify the allowances payable under some of its existing programs, and clarify the program eligibility standards and qualifying allowances under certain programs. Those programs are the Residential Home Builder, Residential

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Appliance Replacement, and Residential Water Heater Retention Programs. We have jurisdiction pursuant to Sections 366.81 and 366.82, Florida Statutes.

Modifications to energy conservation programs

The proposed modifications are:

- 1) Change the program name of the Residential Builder Program to the Residential New Construction Program;
- 2) Establish a tankless natural gas water heater allowance for the three residential programs;
- 3) Allow the Residential Appliance Retention Program to offer allowances for heating systems, cooking, and clothes drying appliances while discontinuing the Dealer incentive; and
- 4) Increase the allowances Chesapeake provides to potential customers when purchasing appliances in the new modified programs.

The proposed allowances are a result of a cooperative development effort by member utilities of the Associated Gas Distributors of Florida (AGDF) which includes all regulated investor-owned natural gas local distribution companies operating in Florida. The AGDF members agreed to focus their initial efforts to develop consistent allowance amounts for the conservation programs directed towards the homebuilding industry, residential appliance replacement, and residential appliance retention. The purpose of developing consistency among the allowance amounts is to provide a collective message through joint conservation advertising efforts in the state through the "Get Gas Florida" state-wide advertising campaign. By having consistent rebate amounts, the companies can engage in a unified advertising approach which will serve to reduce costs to all gas companies participating in conservation. The Commission recently approved similar program modifications by Order No. PSC-06-0749-PAA-GU, issued September 5, 2006, in Docket No. 060415-GU, In re: Petition for modification of energy conservation plan of Florida Public Utilities Company, Inc., regarding Residential New Construction Program, Residential Appliance Replacement Program, and Residential Appliance Retention Program; Order No. PSC-06-0816-PAA-GU, issued October 4, 2006, in Docket No. 060478-EG, In re: Petition for approval of modifications to approved energy conservation programs, by Peoples Gas System; and Order No. PSC-07-0122-PAA-EG, issued February 12, 2007, in Docket No. 060746-EG, In re: Petition for approval of modifications to approved energy conservation programs, by Florida City Gas. Each modified program, proposed new allowance, and results from the administered Participants and G-RIM Tests are discussed below.

Residential New Construction Program:

The objective of this program is to increase the overall penetration of natural gas in the single family and multi-family residential new construction markets throughout Chesapeake's service territory. The program is designed to expand consumer energy options in new homes. Incentives in the form of cash allowances are provided to support the installation of natural gas including interior gas piping, venting, appliance purchase or lease, and other costs associated with residential gas service. Cash allowances are paid for water heating, space heating, clothes drying, and cooking equipment installations. Chesapeake is also proposing to establish an allowance for gas tankless water heating units. Participation in the program is offered to any home builder or developer who installs the aforementioned energy efficient appliances. Each appliance passed the Participants Test with scores in the range of 1.02 to 1.40. Each appliance passed the G-Rim Test with scores in the range of 1.13 to 1.19.

Residential Appliance Replacement Program:

This program encourages the replacement of inefficient non-natural gas residential appliances in existing residences. Participation in the program is open to current residential customers and to homeowners converting a residence to natural gas where Chesapeake is able to extend service under its extension of facilities policy. The program provides incentives for the replacement of non-gas water heating, heating, cooking, or clothes drying appliances through the purchase and/or lease of energy efficient natural gas appliances. Chesapeake is also proposing to establish an allowance for gas tankless water heating units. Each appliance passed the Participants Test with scores in the range of 1.03 to 1.40. Each appliance passed the G-Rim Test with scores in the range of 1.09 to 1.20.

Residential Appliance Retention Program:

This program was initially designed to promote the retention of energy-efficient water heaters for current natural gas customers. A cash incentive is paid to reduce the cost of purchasing and installing a replacement natural gas water heater. Presently, Chesapeake's Residential Appliance Retention Program only applies to natural gas water heater installations, and a dealer incentive for retailers who sell natural gas water heaters to potential customers. However, in its proposal, Chesapeake seeks to expand the retention program to add heating, clothes drying, and cooking allowances. Chesapeake is also proposing to establish an allowance for gas tankless water heating units. Lastly, Chesapeake has proposed to discontinue the dealer incentive which was offered to natural gas water heater retailers. Chesapeake believes that by increasing the allowance amounts along with expanding the eligible appliances, dealers will have ample incentive to market natural gas appliances. Each appliance passed the Participants Test with scores in the range of 1.30 to 1.47. Each appliance passed the G-Rim Test with scores in the range of 1.41 to 1.50.

The following charts show the current and approved appliance allowances Chesapeake sought its petition for modification of its energy conservation plans:

Chesapeake Residential New Construction Cash Allowances

	<u>Current Allowances</u>	<u>Approved Allowances</u>
Gas Storage Tank Water Heating	\$275	\$350
Gas Tankless Water Heating	-	\$450
Gas Heating	\$275	\$350
Gas Cooking	\$ 75	\$100
Gas Clothes Drying	\$ 75	\$100

Chesapeake Residential Appliance Replacement Cash Allowances

	<u>Current Allowances</u>	<u>Approved Allowances</u>
Gas Storage Tank Water Heating	\$330	\$525
Gas Tankless Water Heating	-	\$525
Gas Heating	\$330	\$625
Gas Cooking	\$ 50	\$100
Gas Clothes Drying	\$ 50	\$100

Chesapeake Residential Appliance Retention Cash Allowances

	<u>Current Allowances</u>	<u>Approved Allowances</u>
Gas Storage Tank Water Heating	\$100	\$350
Gas Tankless Water Heating	-	\$450
Gas Heating	-	\$350
Gas Cooking	-	\$100
Gas Clothes Drying	-	\$100
Dealer	\$ 50	Discontinue

Based upon the information submitted, we approve Chesapeake's petition for modification to its Residential New Construction, Residential Appliance Replacement, and Residential Appliance Retention energy conservation programs. The program modifications are

hereby approved because each appliance passed the G-RIM and Participants Test with a score greater than one and because each program promotes the goals of energy conservation. The modifications will include: renaming the Residential Builder Program to the Residential New Construction Program; increasing the current allowances for some appliances; an addition of a tankless water heater allowance for all three programs; and allowing the Residential Appliance Retention Program to offer allowances for heating systems, cooking, and clothes drying appliances, while discontinuing an incentive for the dealer allowance.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Chesapeake Utilities Corporation's modification to its energy conservation programs are hereby approved as set forth herein. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further


ORDERED that these modifications shall become effective upon the issuance of a Consummating Order. 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 5th day of March, 2007.

BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

By:



Ann Cole, Chief
Bureau of Records

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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 that is available under Section 120.57, 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 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 the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on March 26, 2007.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.