

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Commission review of numeric
conservation goals (Peoples Gas System, Inc.)

DOCKET NO. 20240018-EG
ORDER NO. PSC-2024-0280-PAA-EG
ISSUED: July 30, 2024

The following Commissioners participated in the disposition of this matter:

MIKE LA ROSA, Chairman
ART GRAHAM
GARY F. CLARK
ANDREW GILES FAY
GABRIELLA PASSIDOMO

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING NUMERIC CONSERVATION GOALS

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission (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 (F.A.C.).

Background

Sections 366.80 through 366.83, and 403.519, Florida Statutes (F.S.), are known collectively as the Florida Energy Efficiency and Conservation Act (FEECA). Originally enacted in 1980, FEECA emphasizes the utilization of efficient and cost-effective demand-side renewable energy and conservation systems. Pursuant to Section 366.82, F.S., we must review the conservation goals of each utility subject to FEECA at least every five years. Collectively, those utilities subject to FEECA are referred to as the FEECA Utilities. These include Peoples Gas System, Inc. (PGS or Company), the only natural gas utility subject to these requirements, all four investor-owned electric utilities, and two municipal electric utilities.¹

Rule 25-17.009, F.A.C., establishes a methodology for assessing the cost effectiveness of demand-side management (DSM) programs for natural gas utilities. Since 1981, PGS has offered a variety of conservation programs that we have reviewed pursuant to Rule 25-17.015, F.A.C.,

¹ Section 366.82, F.S., provides that a natural gas utility is subject to FEECA requirements if a utility's annual retail sales volume is equal to or greater than 100 million therms. The FEECA electric Utilities include Florida Power & Light Company; Duke Energy Florida, LLC; Tampa Electric Company; Florida Public Utilities Company; JEA; and Orlando Utilities Commission.

the Energy Conservation Cost Recovery (ECCR) clause. Conservation goals were last established for PGS by Order No. PSC-2019-0361-PAA-GU, issued August 28, 2019.² Therefore, new goals must be established by January 2025.

On March 8, 2024, PGS filed a petition for approval of its natural gas DSM goals for the period 2025-2034. We have jurisdiction over this matter pursuant to Sections 366.80 through 366.83, and 403.519, F.S.

Decision

We are required to adopt appropriate conservation goals to promote energy efficiency and the development of DSM programs. Section 366.82(2), F.S. In developing a utility's goals, we are required to evaluate the full technical potential of all available demand-side and supply-side conservation and efficiency measures applicable to a utility's system. Section 366.82(3), F.S. Additionally, in establishing a utility's goals, we are required to consider certain cost-effectiveness criteria. Section 366.82(3)(a)-(d), F.S.

Developing Goals – PGS' Technical Potential

In order to evaluate whether PGS' petition adequately assessed the full technical potential of all available demand-side and supply-side conservation and efficiency measures applicable to the Company's system, we reviewed PGS' analysis of the maximum system-wide therm savings theoretically possible from implementation of DSM measures, regardless of cost and other barriers that may prevent installation or adoption. We evaluated the development of this therm savings analysis, termed the Technical Potential, by reviewing each of its four parts: (1) the identification of the DSM measures to be evaluated; (2) the calculation of the theoretical per-site therm savings for each DSM measure; (3) the calculation of the system-wide therm savings for each DSM measure; and (4) the determination of total system-wide therm savings potential in PGS' service area.

1. Identification of DSM Measures

PGS identified the DSM measures for inclusion in the Technical Potential by first compiling a list of technologies known by the Company to be commercially available in Florida and that, when applied in a residential, commercial, or industrial setting, yield reductions in the use of natural gas. The Company started by using its technical potential study developed in its prior goalsetting proceeding, then compared this list against other utility, state, and federal technical potential studies and technical reference manuals to identify additional measures, including demand-side renewable energy systems. Those measures found to be missing were filtered by commercial availability in Florida before being added to the list of DSM measures evaluated in PGS' Technical Potential. Ultimately, 33 residential, 31 commercial, and 25 industrial measures addressing water heating, cooking, HVAC, laundry, and industrial process

² Order No. PSC-2019-0361-PAA-GU, issued August 28, 2019, in Docket No. 20180186-EG, *In re: Petition for approval of demand side management goals and residential customer assisted and commercial walk-through energy audit programs, by Peoples Gas System.*

cases were evaluated. Compared to the previous goalsetting proceeding, PGS added two residential and commercial measures, and three industrial measures.³ In light of our review, we find that the methodology used to compile the list of DSM measures evaluated in PGS' Technical Potential is adequate because we believe it reasonably contemplates all efficiency and conservation technologies commercially available in Florida.

2. Theoretical Per-Site Therm Savings for Each DSM Measure

We also reviewed PGS' calculation of theoretical per-site therm savings for each identified DSM measure. PGS counted only the savings from new, replaced, or retrofitted measures that surpassed those savings based on minimum appliance energy efficiencies in the Florida Building Code or the associated Federal Appliance Efficiency Standards, whichever is greater. This is similar to the methodology we accept from electric FEECA utilities in developing their goals. PGS derived the energy consumption parameters used in its savings calculations from a combination of state and national industry sources, current building code and appliance standards, and a review of historical DSM program activity. We find that the methodology used by PGS in the updated calculations adequately assesses the theoretical per-site therm savings of the DSM measures evaluated because it reasonably estimates consumption and measure-related savings while controlling for savings from other applicable efficiency standards.

3. System-wide Therm Savings for DSM Measures

PGS calculated system-wide theoretical therm savings on a per-measure basis by applying the per-site therm savings to modified counts of its sector-specific customer populations to determine the applicable populations. PGS then modified the baseline applicable populations for each DSM measure to account for existing measure prevalence and incompatibility with a customer's premises, as indicated by the Company's recent residential equipment market survey and a review of the characteristics of its commercial and industrial customer populations. For the industrial sector, PGS analyzed individual customer annual usage to determine that sector's technical potential, instead of equipment ratings used in the prior technical potential study. We find that the methodology used by PGS to calculate system-wide theoretical therm savings on a per-measure basis is adequate because it reasonably accounts for both the applicable population and observed customer behavior for each DSM measure in PGS' service area.

4. Technical Potential Results

Since we last established goals for PGS, the Company's total technical potential decreased by approximately 33.4 percent, from 456.5 million therms to 304.0 million therms. This is primarily due to a decrease in the industrial technical potential related to the change of methodology discussed above. In contrast, commercial technical potentials increased by 11.7 percent, from 150.0 million therms to 167.6 million therms, and residential technical potential increased by 89.5 percent, from 60.1 million therms to 114.0 million therms. PGS attributes the

³ New measures added are Energy Star Tankless Water Heater and Energy Star Furnaces for each customer class (residential, commercial, and industrial) and Tank Water Heaters for industrial customers.

increase in residential goals to an increase in the residential population by 33 percent since the last goals proceeding, improved therm savings, or applicability for furnace and pool measures. Using the updated therm savings calculations, PGS developed the Technical Potential shown in Table 1, below.

Table 1
2025 Technical Potential

Sector	Therm Savings
Residential	113,956,673
Commercial	167,632,935
Industrial	22,430,474
Total	304,020,082

Source: PSC Document No. 01357-2024

In light of the foregoing, we find that PGS has analyzed the maximum system-wide therm savings theoretically possible from implementation of DSM measures available in Florida. As such, we hereby find that the updated Technical Potential shown in Table 1 above serves as an acceptable basis for the Company's annual therm savings goals.

Establishing Goals –Section 366.82(3), F.S., Considerations

Section 366.82(3), F.S., states that, in establishing these goals, we shall take into consideration: (1) the costs and benefits to customers participating in a program and to the general body of ratepayers; (2) the need for incentives to promote both customer-owned and utility-owned energy efficiency and demand-side renewable energy systems; and (3) the costs imposed by state and federal regulations on the emission of greenhouse gases.

PGS proposed annual residential and commercial conservation goals for the years 2025-2034 that focus on achieving overall therm usage reductions at residential and small-commercial end-use sites, incorporating the technical potential measures into its residential and commercial programs.⁴ Because the Company's current and potential DSM programs serve as the basis for its proposed annual conservation goals, we reviewed these programs, taking into consideration those factors enumerated in Section 366.82(3), F.S.

1. Benefits and Costs to Participants and the General Body of Ratepayers

Section 366.82(3)(a), F.S., requires us to take into consideration the costs and benefits to customers participating in a program. Section 366.82(3)(b), F.S., requires us to take into consideration the costs and benefits to the general body of ratepayers as a whole, including utility incentives and participant contributions. In Rule 25-17.009, F.A.C., we prescribe cost-effectiveness tests for gas utilities seeking cost recovery for an existing, new, or modified DSM

⁴ We note that PGS did not propose commercial goals, nor did it incorporate any DSM measures into its DSM portfolio for large commercial or industrial customers. This is because these customers are entirely either natural gas fired co-generators or interruptible customers, two rate classes that are excluded from cost recovery through the ECCR clause by Commission order. *See* Order No. 23576, issued October 3, 1990, in Docket No. 19900002-EG, *In re: Conservation Cost Recovery Clause*.

program. The Participants Test measures the impact of a program on the participating customers, while the Gas Rate Impact Measure (G-RIM) Test considers the effect on the general body of ratepayers as an indirect measure of the program impact on customer rates that addresses utility incentives and participation. A score of 1.0 or greater indicates a program is cost-effective for a particular test. Based on the Company's analyses, all of PGS' programs upon which its proposed goals are based are cost-effective, passing both the Participants Test and G-RIM Test with scores above 1.0. Therefore, we find that Sections 366.82(3)(a) and (b), F.S., are adequately addressed by the Company's proposed DSM goals.

2. Need for Incentives

Section 366.82(3)(c), F.S., requires us to take into consideration the need for incentives to promote both customer-owned and utility-owned energy efficiency and demand-side renewable energy systems. As stated previously, the proposed DSM goals are based upon PGS' current Commission-approved DSM programs. The current DSM programs were approved in 2019, when this Commission found that the cash incentive allowances included in PGS' programs were cost-effective and did not impose an undue rate impact on PGS customers' monthly bills. We found above that PGS' programs and the proposed incentives continue to be cost-effective with no undue rate impact to PGS customers. The design of the incentives for both residential and small commercial programs include consideration of free ridership and, thus, we find reasonably balance incentive effectiveness with the ability of these programs to contribute to the defrayal of the costs associated with the installation of natural gas supply lines, internal piping, venting and equipment. Therefore, we find that Section 366.82(3)(c), F.S., is adequately addressed by the Company's proposed DSM goals.

3. Greenhouse Gas Emissions

Section 366.82(3)(d), F.S., requires us to take into consideration the costs imposed by state and federal regulations on the emission of greenhouse gases. Currently, there are no costs imposed on PGS by state and federal regulations on the emissions of greenhouse gases. If any regulations on the emission of greenhouse gases are established that impact PGS, we may review and, if appropriate, modify PGS' goals to account for any associated costs.

Adopting Appropriate Goals – PGS' Achievable Annual Therm Savings

Section 366.82(2), F.S., requires us to adopt appropriate conservation goals to promote energy efficiency and the development of DSM programs. We evaluated PGS' proposed achievable therm savings goals by reviewing each proposed DSM program's projection of achievable annual therm savings over the 2025-2034 period. The Company derived its achievable annual therm savings for the period by calculating projected yearly DSM measure participation together with the updated per-site therm savings achievable for each DSM measure discussed above. Overall, PGS proposed a cumulative 10-year therm goal of 8.0 million therms, 29.9 percent greater than its prior goal of 6.2 million therms. These savings can be seen in Table 2 below, alongside a cumulative count of projected savings, and are the Company's proposed annual conservation goals for the period 2025-2034.

Because PGS' proposed achievable therm savings goals reasonably estimate yearly DSM participation and accurately calculate the resulting system-wide therm savings, we hereby find that the annual therm savings shown in Table 2 as PGS' annual conservation goals for the period 2025-2034 are appropriate.

Table 2
2025-2034 Achievable Therm Savings Goals

Year	Residential Annual	Residential Cumulative	Commercial Annual	Commercial Cumulative	Total Annual	Total Cumulative
2025	344,604	344,604	434,348	434,348	778,952	778,952
2026	349,768	694,372	443,868	878,216	793,636	1,572,588
2027	355,274	1,049,646	412,777	1,290,993	768,051	2,340,639
2028	359,537	1,409,183	419,761	1,710,754	779,298	3,119,937
2029	362,084	1,771,267	427,445	2,138,198	785,529	3,909,465
2030	366,351	2,137,618	434,429	2,572,627	800,780	4,710,245
2031	370,926	2,508,543	441,413	3,014,040	812,339	5,522,584
2032	374,198	2,882,741	451,291	3,465,331	825,488	6,348,072
2033	375,107	3,257,848	458,275	3,923,606	833,382	7,181,454
2034	376,334	3,634,182	465,259	4,388,865	841,593	8,023,047

Source: PSC Document No. 01357-2024

Based on the foregoing, it is

ORDERED that the updated Technical Potential as shown in Table 1 is an adequate assessment of the full technical potential, and serves as an acceptable basis for the Company's annual therm savings goals. It is further

ORDERED that Peoples Gas System's proposed conservation goals adequately address the cost-effectiveness considerations enumerated in Section 366.82(3), F.S. It is further

ORDERED that the annual therm savings shown in Table 2 are hereby established as PGS' annual conservation goals for the period 2025-2034. 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 Commission Clerk, 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 if no person whose substantial interests are affected by the proposed agency action (PAA) files a protest within 21 days of the issuance of the PAA Order, a Consummating Order shall be issued and the docket shall be closed. If a protest is filed within 21 days of the issuance of the PAA Order, the programs shall not be implemented until after the

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resolution of the protest. Following the issuance of the Consummating Order, Peoples Gas System shall file a demand-side management plan designed to meet its approved goals.

By ORDER of the Florida Public Service Commission this 30th day of July, 2024.



ADAM J. TEITZMAN

Commission Clerk

Florida Public Service Commission

2540 Shumard Oak Boulevard

Tallahassee, Florida 32399

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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

JHR

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 Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 20, 2024.

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 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.