

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of City Gas Company ) DOCKET NO. 880267-EG  
of Florida for Approval of Conservation ) ORDER NO. 19653  
Programs. ) ISSUED: 7-11-88  
)

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD  
GERALD L. GUNTER  
JOHN T. HERNDON  
MICHAEL McK. WILSON

NOTICE OF PROPOSED AGENCY ACTION

ORDER APPROVING 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 adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

On February 16, 1988, City Gas Company of Florida (City Gas or utility) submitted a petition for approval of a five-point conservation program consistent with the guidelines of the Florida Energy Efficiency and Conservation Act (FEECA), Section 366.80 et seq., Florida Statutes. City Gas's filing was voluntary since the utility does not meet the one hundred-million therms per year threshold for mandatory conservation programs contained in FEECA. In our Order No. 17257, we had previously invited the utility to file such a petition, if it so desired.

The five programs submitted by City Gas are designed to provide incentives to builders, homeowners, dealers and schools for the installation and use of efficient gas appliances. As we noted in Order No. 17257, it is the Commission's policy to apply three standard criteria in evaluating such conservation programs for approval: (1) the program must contribute to achieving conservation goals; (2) the program must be cost effective and (3) the program must be one which can be monitored. We have reviewed the utility's proposed programs and find that four of the five meet our criteria as submitted. Those programs and their calculated cost-effectiveness ratios are as follows:

Program 1 - Single Family Residential Home Builder Program

This program provides incentives to builders and developers in an effort to overcome objections to the additional construction costs of installing gas appliances. The program pays incentives for installation of gas furnaces (\$250), gas water heaters (\$225), gas ranges (\$100) and gas dryers (\$100). Incentives are only paid to builders of new homes that have an EPI rating of 75 points or less. EPI is the Energy Performance Index calculated under the Florida Model Energy Efficiency Code for Building Construction. The program period is five years with net benefits of \$15,170,959. This results in a cost-effectiveness ratio of 10:1.

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Program 2 - Multi-Family Residential Home Builder Program

This program provides incentives to builders and developers in an effort to overcome objections to the additional construction costs of installing gas appliances in multi-family projects. The program pays a maximum cash allowance of \$300 per dwelling unit for the installation of gas appliances. Incentives are only paid to builders of new homes that have an EPI rating of 75 points or less. This program has a five-year period with net benefits of \$14,562,846. This results in a cost-effectiveness ratio of 14:1.

Program 3 - Electric Resistance Appliance Replacement Program

This program promotes the replacement of all electric appliances with energy efficient gas appliances where to do so is cost effective. The program offers homeowners incentives to help defray the additional costs in purchasing and installing energy efficient gas appliances. Cash incentives are paid for installation of gas furnaces (\$550), gas water heaters (\$400), gas ranges (\$100) and gas dryers (\$100). The program net benefit over a five-year program period is \$12,252,230 resulting in a cost effectiveness ratio of 3:1.

Program 4 - Dealer Program

This program offers dealers and contractors incentives for promotion of the sale of natural gas appliances. The program is designed to promote the use of energy efficient gas appliances where to do so is cost effective. The incentives are paid to dealers and contractors for the sale of gas heating (\$30), gas water heaters (\$30), gas ranges (\$15), and gas dryers (\$15). This program has a period of seven years with net benefits over this period of \$1,980,209. The cost effectiveness ratio of this program is 12:1.

City Gas's fifth program "Gas Appliances in Schools" would promote the replacement of electric appliances in schools in the utility's service area. Energy efficient gas appliances would be installed at no charge, and students would be trained in the use, care, and safety of the appliances by utility-employed home economists. The program as proposed would pay a maximum of \$600 per range installed. City Gas would introduce other appliances as the program progresses.

Unlike the utility's four other programs, the proposal for Gas Appliances in Schools showed a cost-effectiveness ratio of less than 1:1 (.02:1). On this basis Staff recommended the program not be approved. However, at our agenda conference on June 21, 1988, when we considered the programs, representatives of City Gas agreed to a lower incentive payment of \$300 in an effort to improve the cost-effectiveness ratio. Although we have made a determination that this reduction may not in fact produce a positive cost-effectiveness ratio for the school program on a stand-alone basis, we will, nevertheless, approve it, as we will approve the other programs. We do so because its inclusion, even as filed, would not render the utility's overall conservation plan non-cost effective. Moreover, we believe that the program will have a salutary effect in furthering the goals of conservation and should be instituted.

One further point must be addressed in approving City Gas's conservation plan. City Gas is one of several utilities engaged in the sale of appliances; consequently, incentives

paid under the Dealer Program could be paid to City Gas or an unregulated affiliate. In order to provide for more accurate monitoring of this program, a separation of incentives paid to affiliated and non-affiliated dealers is necessary. The reporting of this information in future filings should be reported on the utility's CT-2 and CT-6 filings of the Conservation Cost Recovery Clause.

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 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.

Now, therefore, in consideration of the above, it is

ORDERED by the Florida Public Service Commission that the petition of City Gas Company of Florida for approval of conservation cost recovery programs is hereby granted as set forth in the body of this Order. It is further

ORDERED that City Gas Company of Florida shall comply with the requirements stated in this Order for the reporting of incentives paid to dealers in gas appliances including itself and unregulated affiliates, if any. It is further

ORDERED that this Order will become final and effective on August 2, 1988, unless a valid petition on proposed agency action is received as explained below.

By ORDER of the Florida Public Service Commission,  
this 11th day of July, 1988.

  
STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes (1985), as amended by Chapter 87-345, Section 6, Laws of Florida (1987), 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.

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The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on August 1, 1988. In the absence of such a petition, this order shall become effective August 2, 1988, as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

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 August 2, 1988, any party adversely 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 sewer 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.