

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: August 3, 2006

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Competitive Markets & Enforcement (Brown, Bulecza-Banks, Casey)
Office of the General Counsel (Fleming) *SOB* *CRB* *WJ* *MTJ*

RE: Docket No. 060415-GU – Petition for modification of energy conservation plan of Florida Public Utilities Company, Inc., regarding full house residential new construction program, residential appliance replacement program and residential appliance retention program.

AGENDA: 08/15/06 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Deason

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\CMP\WP\060415.RCM.DOC

Case Background

On October 17, 1994, the Commission opened Docket No. 941104-EG, In re: Proposed Rule 25-17.009, F.A.C., Requirements for Reporting Cost Effectiveness Data for Demand Side Programs of Natural Gas Utilities. The purpose of this docket was 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 with a new methodology.

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.

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FPSC-COMMISSION CLERK

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Rule 25-17.009, requires each gas utility that seeks to recover costs for an existing, new, or modified demand side management program to file cost effectiveness test results of the Participants Test and the Rate Impact Measure (RIM) Test in the format set forth in PSC/EAG/18 (4/96), entitled the "Florida Public Service Commission Cost Effectiveness Manual for Natural Gas Utility Demand Side Management Programs." If a proposed program passes the Participants and Gas Rim Tests (G-Rim) with a score of one or greater, it is deemed cost effective for a company to offer the program to its customers.

On June 15, 2000, in Docket No. 000721-EG, FPUC submitted a petition seeking approval for thirteen conservation programs. By Order No. PSC-00-1663-PAA-EG, issued September 18, 2000, the Commission approved eight of the thirteen programs. The programs were approved because they passed the G-RIM and Participant's tests, and were in accordance with FEECA because each program promoted the goals of energy conservation.

In this docket (Docket No. 060415-GU), FPUC submitted a petition seeking approval of modifications to its energy conservation programs. By its petition, FPUC is seeking Commission approval to modify three of its authorized energy conservation programs. Those programs are Full House Residential New Construction Program, Residential Appliance Replacement Program, and Residential Appliance Retention Program.

Jurisdiction over this matter is vested in the Commission by Sections 366.81 and 366.82, Florida Statutes.

Discussion of Issues

Issue 1: Should the Commission approve FPUC's Petition for Approval of Modifications to Approved Energy Conservation Programs?

Recommendation: Yes. The Commission should approve modifications to the Full House Residential New Construction Program, Residential Appliance Replacement Program and the Residential Appliance Retention Program. (S. BROWN, BULECZA-BANKS, CASEY)

Staff Analysis: On May 23, 2006, FPUC submitted its analysis of the modifications of three conservation programs. The programs were evaluated using a Participant's Screening Test and a Gas Ratepayer Impact Test (G-RIM) as required by Rule 25-17.009, Florida Administrative Code. The Company has proposed the following modifications:

- 1) change the name of the Full House Residential New Construction Program to be renamed the Residential New Construction Program;
- 2) add a tankless water heater allowance to all three programs;
- 3) increase the allowances that FPUC is currently providing to its customers participating in its energy conservation programs;
- 4) allow the Residential Appliance Retention Program to offer additional allowances for heating systems, cooking, and clothes drying appliances.

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 on the conservation programs directed toward 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 approved "Get Gas Florida" state-wide advertising campaign. Furthermore, 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. Finally, future petitions can be expected from the other investor-owned utilities regarding modifying their natural gas programs to include similar appliance allowances in the Residential New Construction, Residential Appliance Replacement and Residential Appliance Retention programs. The proposed programs for modification are addressed below.

Residential New Construction Program:

This program promotes the use of natural gas in single and multi-family residential new construction projects to developers, builders and/or homebuyers. The program is designed to increase the overall efficiency in the new home construction market through the installation of efficient gas appliances. Incentives in the form of cash allowances are provided to support the installation of natural gas including interior gas piping, venting, appliance purchase and other

costs associated with residential gas service. Each appliance passed the Participants Test with scores in the range of 1.11 to 1.56. Each appliance passed the G-Rim Test with scores in the range of 1.05 to 1.12.

Residential Appliance Replacement Program:

This program encourages the replacement of inefficient non-natural gas residential appliances with energy-efficient natural gas appliances. The program offers incentives in the form of cash allowances to residential customers to assist in defraying the additional cost associated with the installation of gas water heating, space heating, cooking and clothes drying. Each appliance passed the Participants Test with scores in the range of 1.18 to 1.52. Each appliance passed the G-Rim Test with scores in the range of 1.07 to 1.14.

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, FPUC's Residential Appliance Retention Program only applies to natural gas water heater installations. However, in this proposal, FPUC would like to expand the retention program to add heating, clothes drying, and cooking allowances. The company 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 1.21 to 1.59. Each appliance passed the G-Rim Test with scores in the range of 1.30 to 1.38.

The following charts show the current and proposed appliance allowances FPUC is seeking in this petition for modification of energy conservation plans:

FPUC Residential New Construction Cash Allowances

	<u>Current Allowances</u>	<u>Proposed Allowances</u>
Gas Storage Tank Water Heating	\$300	\$350
Gas Tankless Water Heating	\$300	\$450
Gas Heating	\$300	\$350
Gas Cooking	\$ 85	\$100
Gas Clothes Drying	\$ 85	\$100

FPUC Residential Appliance Replacement Cash Allowances

	<u>Current Allowances</u>	<u>Proposed Allowances</u>
Gas Storage Tank Water Heating	\$330	\$525
Gas Tankless Water Heating	\$330	\$525
Gas Heating	\$300	\$625
Gas Cooking	\$ 85	\$100
Gas Clothes Drying	\$ 85	\$100

FPUC Residential Appliance Retention Cash Allowances

	<u>Current Allowances</u>	<u>Proposed Allowances</u>
Gas Storage Tank Water Heating	\$330	\$350
Gas Tankless Water Heating	\$330	\$450
Gas Heating	\$0	\$350
Gas Cooking	\$0	\$100
Gas Clothes Drying	\$0	\$100

Based upon the information submitted, staff recommends the Commission approve FPUC's petition for modification to three approved energy conservation programs: Full House Residential New Construction Program, Residential Appliance Replacement Program, and Residential Appliance Retention Program. The program modifications should be approved because each appliance passed the G-RIM and Participant's tests with a score greater than one and because each program promotes the goals of energy conservation. The modifications would include an increase in the current allowances for the programs; an addition of a tankless water heater allowance for all three programs; renaming the Full House Residential New Construction Program to the Residential New Construction Program; and allowing the Residential Appliance Retention Program to offer allowances for heating systems, cooking, and clothes drying appliances rather than for water heaters only.

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Issue 2: Should this docket be closed?

Recommendation: Yes. This docket should be closed upon issuance of a Consummating Order unless a person whose substantial interests are affected by the Commission's proposed agency action files a protest within 21 days from the issuance of the Order. If a protest is filed within 21 days from the issuance of the Order, the modifications should not be implemented until after a resolution of the protest. (FLEMING)

Staff Analysis: If no person whose substantial interests are affected by the Commission's proposed agency action files a protest within 21 days of the issuance this Order, the docket should be closed upon issuance of a Consummating Order. If a protest is filed within 21 days from the issuance of the Order, the modifications should not be implemented until after the resolution of the protest.