

State of Florida



# Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

**DATE:** May 23, 2007

**TO:** Office of Commission Clerk (Cole)

**FROM:** Division of Economic Regulation (Brown, Baxter)  
Office of the General Counsel (Fleming) *300 [Signature]* *[Signature]* *[Signature]*

**RE:** Docket No. 070246-EG – Petition for approval of energy conservation programs, by Indiantown Gas Company.

**AGENDA:** 06/05/07 – Regular Agenda – Tariff Filing – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Administrative

**CRITICAL DATES:** June 5, 2007 - Utility waived 60-day suspension date until this date

**SPECIAL INSTRUCTIONS:** None

**FILE NAME AND LOCATION:** S:\PSC\ECR\WP\070246.RCM.DOC

### Case Background

Section 366.81, Florida Statutes, of 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.

Rule 25-17.009, Florida Administrative Code, states that each gas utility that seeks to recover costs for an existing, new, or modified demand side management program shall file the 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/CMP/18, entitled the "Florida Public Service Commission Cost Effectiveness Manual for Natural Gas Utility Demand Side Management

DOCUMENT NUMBER-DATE

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Programs.” As long as the programs offered pass the Participants and G-RIM Tests with a score of one or greater, it is deemed cost effective and beneficial for a company to offer to its customers.

On April 5, 2007, Indiantown Gas Company (“Indiantown”) petitioned for approval of four new Energy Conservation Cost Recovery (ECCR) programs: Residential New Construction Program, Residential Appliance Replacement Program, Residential Appliance Retention Program, and Conservation Education Program. Included with the petition were three exhibits: the cost effectiveness test results for the appliances included in the proposed residential programs, the projected ECCR Billing Adjustment Factors (which serve as the rate per therm charges from Indiantown to recover costs to implement these programs along with the proposed allowances) and the proposed tariff sheets. The pages of Indiantown’s proposed tariff are attached to this recommendation as Attachment A.

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 Indiantown Gas Company's petition to offer energy conservation programs?

**Recommendation:** Yes. The proposed Residential New Construction, Residential Appliance Replacement and Residential Appliance Retention Programs are cost effective. By allowing Indiantown to offer these residential ECCR programs, customers should see energy savings by purchasing energy-efficient natural gas appliances. Customers will also receive rebates for their purchase of the new appliances. Indiantown should also be allowed to offer the Conservation Education Program because the program is designed to teach consumers about conservation measures designed to reduce energy consumption and consequently reduce their energy bills. (S. Brown, Baxter)

**Staff Analysis:** On April 5, 2007, Indiantown Gas Company submitted its analysis of its proposed ECCR programs. The analysis included cost effectiveness tests for the appliances in the proposed residential conservation programs, projected ECCR billing adjustment factors, and proposed tariff sheets. Indiantown would like to offer three residential conservation programs: The Residential New Construction Program, Residential Appliance Replacement Program and Residential Appliance Retention Program. The proposed programs were evaluated by staff using the Participants Screening Test and the Gas Ratepayer Impact Test (G-RIM) as required by Rule 25-17.009, Florida Administrative Code. The residential conservation programs will allow the company to offer rebates for the purchase of energy efficient appliances to current and future residential customers.

Below are descriptions of each of the proposed ECCR programs along with the results from the Participants and G-RIM Tests (if applicable). Also included are charts of the proposed rebates of each residential conservation program.

#### Proposed Residential New Construction Program:

This program is designed to increase the overall penetration of natural gas in the residential single and multi-family new construction market throughout the Company's service area. The objective is to reduce the growth rate of electric consumption, increase the conservation and efficient use of energy resources, and minimize ratepayers' total energy cost. The program would increase overall energy efficiency in the new home construction market through the installation of efficient natural gas appliances. The rebates offered to homebuilders are designed to assist in defraying the cost of gas piping, venting, appliance installation, and other costs associated with residential gas service. Participation in this program would be open to a home builder or developer of homes who installs energy-efficient natural gas heating, natural gas storage and tankless water heating, cooking and provides piping stub-outs for natural gas clothes drying. Each appliance passed the Participants Test with scores in the range of 1.08 to 1.51. Each appliance passed the G-Rim Test with scores in the range of 1.14 to 1.21.

**Indiantown's Residential New Construction Cash Allowances**

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

Proposed Residential Appliance Replacement Program:

This program would encourage the replacement of inefficient electric residential appliances with new natural gas appliances. Participation in the program is open to current residential customers and to homeowners converting a residence to natural gas where Indiantown is able to extend service under its extension of facilities policy. The program would provide incentives for the replacement of non-natural gas water heating, cooking, clothes drying or space heating appliances with energy efficient natural gas appliances. Each appliance passed the Participants Test with scores in the range of 1.09 to 1.50. Each appliance passed the G-Rim Test with scores in the range of 1.07 to 1.19.

**Indiantown's Residential Appliance Replacement Cash Allowances**

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

Proposed Residential Appliance Retention Program:

This program would encourage homeowners to replace inefficient natural gas storage tank and tankless water heaters, heating systems, cooking, and clothes drying appliances with newer efficient natural gas models. The rebates under this program should strengthen Indiantown's ability to retain existing natural gas customers and avoid the cost of meter removal and cost of cutting and capping service lines. When a customer is lost, the typical cost to remove the meter and cut and cap the service is estimated at \$350 to \$500. Retaining a customer also enhances Indiantown's ability to spread its fixed operating costs over a greater number of

customers, thereby assisting in mitigating the need for future rate adjustments. Each proposed appliance passed the Participants Test with scores in the range of 1.12 to 1.56. Each appliance passed the G-Rim Test with scores in the range of 1.33 to 1.42.

**Indiantown's Residential Appliance Retention Cash Allowances**

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

Proposed Consumer Education Program:

This new program would serve as an outlet to inform consumers of general energy conservation strategies and the opportunity to participate in Indiantown's proposed allowance programs using various advertising media such as direct mail, bill messages, and signage at the local office and local appliance dealers.

Based upon the information submitted, staff recommends the Commission approve Indiantown's petition for its proposed new energy conservation programs: Residential New Construction Program, Residential Appliance Replacement Program, Residential Appliance Retention Program, and Consumer Education Program. The programs should be approved because the appliances that were tested passed the G-RIM and Participants Test with a score greater than one, and because each program promotes the goals of energy conservation. The reasonable and prudent costs of these programs are appropriate for recovery through the Energy Conservation Cost Recovery Clause.

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Date: May 23, 2007

**Issue 2:** Should this docket be closed?

**Recommendation:** Yes. If Issue 1 is approved, this tariff should become effective on June 5, 2007. If a protest is filed within 21 days of the issuance of the order, this tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Fleming)

**Staff Analysis:** If Issue 1 is approved, this tariff should become effective on June 5, 2007. If a protest is filed within 21 days of the issuance of the order, this tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

Indiantown Gas Company, Inc.  
Original Volume No. 2

First Revised Original Sheet No. 35  
Cancels Original Sheet No. 35

**BILLING ADJUSTMENTS**  
(Continued)

- (e) In the event Company experiences unaccounted for Gas on its distribution system, Company shall be entitled to recover the cost of such unaccounted for Gas. Costs associated with transportation shrinkage shall be based upon Company's operating experience, and Company shall have the right to adjust such cost from time to time to reflect operating experience and/or any change in methodology used by Company to calculate the amount of Gas deemed as transportation shrinkage. Upon request, Company shall furnish to Customer, Customer's Agent or Pool Manager information to support such cost allocation.
- (f) This mechanism should not be considered to preclude the Company from recovering other penalties and charges from its customers as defined in the Terms and Conditions for Transportation Service of this Tariff, the Transportation Service Agreement or Aggregated Transportation Service Agreement.

**3. TAXES AND OTHER ADJUSTMENTS APPLICABLE TO ALL RATE SCHEDULES:**

There shall be added to all bills rendered, all applicable local utility and franchise taxes and state gross receipts and sales taxes presently assessed by governmental authority; as well as future changes or new assessments by any governmental authority subsequent to the effective date of this tariff. All such assessments as described above shall be shown on Customer or Shipper bills, as applicable.

**4. ENERGY CONSERVATION COST RECOVERY CHARGE:**

Each bill for Transportation Service supplied to a retail customer shall be adjusted as follows:

Except as otherwise provided herein, each rate schedule shall be increased or decreased to the nearest \$0.00001 per therm and shall include the tax expansion factor of 1.00503 for each therm of gas transported by the Company to recover the Company's energy conservation related expenditures. The Company shall record both projected and actual expenses and revenues associated with the implementation of the Company's Energy Conservation Plan as authorized by the Commission. The procedure for review, approval, recovery, and recording of such costs and revenues is set forth in Commission Rule 25-17.015, F.A.C.

Issued by: Brian J. Powers, President

Effective: June 1, 2007

Indiantown Gas Company, Inc.  
Original Volume No. 2

Original Sheet No. 35.1

The Energy Conservation Cost Recovery charges for meter readings taken on or after June 20, 2007 through the last billing cycle of December 2007 are as follows:

<u>Rate Class</u>	<u>Recovery Factor</u>
<u>TS-1</u>	<u>\$ 0.1430 per therm</u>
<u>TS-2</u>	<u>\$ 0.0218 per therm</u>
<u>TS-3</u>	<u>\$ 0.0151 per therm</u>
<u>TS-4</u>	<u>\$ 0.0026 per therm</u>

Issued by: Brian J. Powers, President

Effective: June 1, 2007