

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

DATE: June 27, 2024

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (Davis, Ellis, King, Sanchez, Thompson, Wooten) *TB*
Division of Economics (Barrett, Kaymak, McNulty) *CP*
Office of the General Counsel (Imig, Rubottom) *ACH*
Office of Industry Development and Market Analysis (Hitchins, Rogers) *CA*

RE: Docket No. 20240018-EG – Commission review of numeric conservation goals (Peoples Gas System, Inc.)

AGENDA: 07/09/24 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Graham

CRITICAL DATES: Pursuant to 366.82(6), F.S., the Commission must review conservation goals at least once every five years. New conservation goals must be set by January 1, 2025.

SPECIAL INSTRUCTIONS: None

Case 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 Originally enacted in 1980, FEECA emphasizes the utilization of efficient and cost-effective demand-side renewable energy and conservation systems.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., the Florida Public Service Commission (Commission) 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

In 1980, the Commission adopted rules that set statewide conservation goals; however, these rules were repealed in 1990, following the sunset provision in FEECA. In 1996, the Commission adopted Rule 25-17.009, Florida Administrative Code (F.A.C.), which established 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 have been reviewed by the Commission pursuant to Rule 25-17.015, F.A.C., 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.

An informal meeting was held on November 1, 2023, with Commission staff and PGS, as well as other interested persons to discuss the current numeric goals cycle. Parties discussed the issues to be addressed, the usage of a proposed agency action (PAA) proceeding, and the timeline of the upcoming goals docket. On January 5, 2024, the instant docket was established to set numeric goals for PGS.

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

¹The FEECA electric Utilities include Florida Power & Light Company; Duke Energy Florida, LLC; Tampa Electric Company; Florida Public Utilities Company; JEA; and Orlando Utilities Commission.

²See 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.*

Discussion of Issues

Issue 1: Are the Company's proposed goals based on an adequate assessment of the full technical potential of all available demand-side and supply-side conservation and efficiency measures, including demand-side renewable energy systems?

Recommendation: Yes. PGS has analyzed the maximum system-wide therm savings theoretically possible from implementation of DSM measures available in Florida. As such, staff recommends that the updated technical potential, seen in Table 1-1, is an adequate assessment of the full technical potential, and serves as an acceptable basis for the Company's annual therm savings goals. (Davis)

Staff Analysis: Section 366.82(3), F.S., requires the Commission, in developing conservation goals, to evaluate the technical potential of all available DSM measures applicable to a utility's system. To facilitate this evaluation, PGS has provided an 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. Staff has 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 system-wide therm savings in consideration of measure interactions.

DSM Measure Identification

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's Technical Potential. Ultimately, 33 residential, 31 commercial, and 25 industrial measures addressing water heating, cooking, HVAC, laundry, and industrial process cases were evaluated. Compared to the prior goalsetting proceeding, PGS added two residential and commercial measures, and three industrial measures.³ Staff recommends that the methodology used to compile the list of DSM measures evaluated in PGS's Technical Potential is adequate.

Per-Site DSM Measure Savings

PGS calculated theoretical per-site therm savings for each DSM measure. Similar to the methodology used by electric FEECA utilities, 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, were counted. Energy consumption parameters used in savings

³New 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.

calculations were derived from a combination of state and national industry sources, current building code and appliance standards, and a review of historical DSM program activity. Staff recommends that the methodology used by PGS in the updated calculations adequately assesses the theoretical per-site therm savings of the DSM measures evaluated.

System-wide DSM Measure Savings

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. Staff recommends that the methodology used by PGS to calculate system-wide theoretical therm savings on a per-measure basis is adequate.

Technical Potential Results

Since goals were last established, PGS'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 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 seen in Table 1-1.

**Table 1-1
2025 Technical Potential**

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

Source: Document No. 01357-2024

Conclusion

PGS has analyzed the maximum system-wide therm savings theoretically possible from implementation of DSM measures available in Florida. As such, staff recommends that the updated Technical Potential seen in Table 1-1 is an adequate assessment of the full technical potential, and serves as an acceptable basis for the Company's annual therm savings goals.

Issue 2: What residential and commercial annual therm savings goals should be established for the period 2025-2034?

Recommendation: Staff recommends that the Commission establish the annual therm savings seen in Table 2-1 as PGS's annual conservation goals for the period 2025-2034. The Company's proposed conservation goals adequately address the considerations enumerated in Section 366.82(3), F.S. (Davis)

Staff Analysis: Section 366.82(2), F.S., requires the Commission to adopt appropriate conservation goals to promote energy efficiency and the development of DSM programs. Section 366.82(3), F.S., states that, in establishing these goals, the Commission shall take into consideration: (1) the costs and benefits to customers participating in a program; (2) the costs and benefits to the general body of ratepayers; (3) the need for incentives to promote both customer-owned and utility-owned energy efficiency and demand-side renewable energy systems; and (4) the costs imposed by state and federal regulations on the emission of greenhouse gases.

PGS has proposed annual conservation goals for the years 2025-2034 which 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. Because the Company's current and potential DSM programs serve as the basis for its proposed annual conservation goals, staff reviewed these programs, taking into consideration those factors enumerated in Section 366.82(3), F.S. Staff then evaluated PGS's proposed achievable therm savings goals by reviewing each proposed DSM program's projection of achievable annual therm savings over the 2025-2034 period.

Staff notes 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 and, per Order No. 23576, these two rate classes are excluded from cost recovery through the ECCR clause.⁴

Benefits and Costs to Participants and the General Body of Ratepayers

Section 366.82(3)(a), F.S., requires the Commission take into consideration the costs and benefits to customers participating in a program. Section 366.82(3)(b), F.S., requires the Commission take into consideration the costs and benefits to the general body of ratepayers as a whole, including utility incentives and participant contributions. Per Rule 25-17.009, F.A.C., utilities seeking cost recovery for an existing, new, or modified demand side management program must file the cost effectiveness test results of the Participants Test and the Gas Rate Impact Measure (G-RIM) Test. The Participants Test measures the impact of a program on the participating customers. The G-RIM Test is 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's programs upon which its proposed goals are based are cost-effective and passed the

⁴Order No. 23576, issued October 3, 1990, in Docket No. 19900002-EG, *In re: Conservation Cost Recovery Clause*.

Participants Test and G-RIM Test with scores above 1.0. Therefore, staff recommends that both Sections 366.82(3)(a) and (b), F.S., are adequately addressed by the proposed DSM goals.

Need for Incentives

Section 366.82(3)(c), F.S., requires the Commission 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's current Commission-approved DSM programs. The current DSM programs were approved in 2019, and the Commission found that the cash incentive allowances were cost-effective and did not impose an undue rate impact on PGS customers' monthly bills.⁵ 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 included consideration of free ridership and, thus, in staff's opinion, reasonably balanced 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, staff recommends that Section 366.82(3)(c), F.S., is adequately addressed by the proposed DSM goals.

Greenhouse Gas Emissions

Section 366.82(3)(d), F.S., requires the Commission 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, the Commission may review and, if appropriate, modify PGS's goals to account for any associated costs.

Achievable Annual Therm Savings

By combining projected yearly DSM measure participation with the updated DSM measure achievable per-site therm savings, PGS derived achievable annual therm savings over the 2025-2034 period. 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 2-1, alongside a cumulative count of projected savings, and are the Company's proposed annual conservation goals for the period 2025-2034. Staff recommends that the Commission establish the annual therm savings shown in Table 2-1 as PGS's annual conservation goals for the period 2025-2034.

⁵See Order No. PSC-2019-0361-PAA-GU, issued August 26, 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.*

**Table 2-1
 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: Document No. 01357-2024

Conclusion

Staff recommends that the Commission establish the annual therm savings seen in Table 2-1 as PGS’s annual conservation goals for the period 2025-2034. The Company’s proposed conservation goals adequately address the considerations enumerated in Section 366.82(3), F.S, and staff therefore recommends that the Company’s proposed goals are appropriate.

Issue 3: Should this docket be closed?

Recommendation: Yes. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the PAA Order, a Consummating Order should be issued and the docket should be closed. (Imig, Rubottom)

Staff Analysis: If no person whose substantial interests are affected by the PAA files a protest within 21 days of the issuance of the PAA Order, a Consummating Order should be issued, and the docket should be closed.