

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: September 7, 2006

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

FROM: Division of Economic Regulation (S. Brown)
Office of the General Counsel (Fleming)

RE: Docket No. 060478-EG – Petition for approval of modifications to approved energy conservation programs, by Peoples Gas System.

AGENDA: 09/19/06 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Arriaga

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\CMP\WP\060478.RCM.DOC

Case Background

Peoples Gas System (“Peoples” or the “Company”) acquired West Florida Natural Gas Company (“West Florida” or “WFL”), by merger effective June 30, 1997. At the time of the merger, both utilities had approved conservation programs which remained separate. As such, Peoples has filed separate data and reports for its West Florida and Non-West Florida Regions since 1997. The Commission consolidated the rates of both regions and approved uniform rates by Order No. PSC-03-0038-FOF-GU, in Docket No. 020384-GU, issued January 6, 2003, In re: Application for a rate increase by Tampa Electric Company d/b/a Peoples Gas System.

On June 27, 2006, Peoples petitioned for approval of modifications to its approved energy conservation programs. Peoples is seeking Commission approval to rename certain

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programs in the Non-West Florida Region, modify the allowances payable under some of its existing programs, add a tankless water heater allowance to its residential conservation programs, and make the programs available to customers in its Non-West Florida Region available to customers in its West Florida Region.

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 Peoples' Petition for Approval of Modifications to Approved Energy Conservation Programs?

Recommendation: Yes. Each of the proposed residential programs are cost-effective. The proposed increase in appliance allowances could decrease the cost to customers when purchasing new appliances. Also, as a result of the higher appliance allowances, it is possible to see an increase in customer participation resulting in more customer savings. Finally, by merging the West Florida and Non-West Florida programs, the company will reduce time and expense that would otherwise be used if the programs were still filed separately. (Brown)

Staff Analysis: On June 27, 2006, Peoples submitted its analysis of the proposed modifications of its conservation programs. Peoples proposed modifications to three programs: Residential Home Builder, Residential Electric Resistance Appliance Replacement and Gas Water Heater Load Retention Programs. The proposed modifications are as follows:

- 1) Change the program names to the following: the Residential Home Builder Program to the Residential New Construction Program, the Residential Electric Resistance Appliance Replacement to the Residential Appliance Replacement Program and the Gas Water Heater Load Retention Program to the Residential Appliance Retention Program;
- 2) Establish a tankless natural gas water heater allowance for the three proposed renamed programs;
- 3) Increase the allowances that Peoples provides to potential customers when purchasing appliances in the three programs;
- 4) Allow the proposed Residential Appliance Retention Program to offer allowances for heating systems, cooking, and clothes drying appliances; and
- 5) Make approved programs available to customers in its Non-West Florida Region available to customers in its West Florida Region.

The three programs were evaluated by staff 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 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. The Commission recently approved similar program modifications by Order No. PSC-06-0749-PAA-GU, issued September 5, 2006 in Docket No. 060415-GU, In re: Petition for modification of energy conservation plan of Florida Public Utilities Company, Inc., regarding Residential New Construction Program, Residential Appliance Replacement Program and Residential Appliance Retention Program. Future petitions can be expected from the other investor-owned utilities to modify their natural gas programs to include similar appliance allowances. Each proposed program offering new allowances and the results from the administered Participants and G-RIM Tests are discussed below.

Residential New Construction Program

Promotes the use of natural gas in new single and multi-family residential construction projects to developers, builders and/or homebuyers. The program is designed to increase the overall energy 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. The program's cash allowances are paid for water heating, space heating, clothes drying and cooking equipment installations. The company has also proposed a tankless water heating allowance for this program. Each appliance passed the Participants Test with scores in the range of 1.02 to 1.40. Each appliance passed the G-RIM Test with scores in the range of 1.02 to 1.07.

Residential Appliance Replacement Program

Encourages the replacement of inefficient non-natural gas residential appliances with energy-efficient natural gas appliances. Cash incentives are provided to reduce the installation costs of residential gas water heating, space heating, cooking, and clothes drying. The company has also proposed a tankless water heating allowance for this program. Installing interior piping and venting in existing homes is more challenging than in new construction installations where walls, ceilings and floors are open and accessible. Each appliance passed the Participants Test with scores in the range of 1.03 to 1.37. Each appliance passed the G-RIM Test with scores in the range of 1.00 to 1.07.

Residential Appliance Retention Program

Initially designed to encourage homeowners with existing natural gas water heaters to retain natural gas when their existing water heater fails. A cash incentive is paid to reduce the cost of purchasing and installing a replacement natural gas water heater. Presently, Peoples' retention program addresses only natural gas water heating installations. However, in this proposal, Peoples would like to expand the retention program to add allowances for heating, clothes drying, and cooking appliances. The company is also proposing to establish an allowance for tankless water heating units. Each appliance passed the Participants Test with scores in the range of 1.06 to 1.44. Each appliance passed the G-RIM Test with scores in the range of 1.21 to 1.28.

Peoples seeks the Commission's approval to offer the programs currently in place in its Non-West Florida Regions, including the modifications sought in this petition, to the customers throughout its service areas, including Peoples' West Florida Region. By granting this proposal, the West Florida programs would be eliminated and Peoples would be left with a single set of conservation programs. Allowing Peoples to offer a single set of programs would simplify the Company's monitoring and reporting responsibilities as well as reduce the cost of such monitoring and reporting. Merging the West Florida and Peoples programs simplifies administration of the programs, and filing one set of Energy Conservation Cost Recovery (ECCR) factors and a single true-up each year (instead of one each for West Florida and Non-West Florida Regions) will reduce the time and expense associated with the filings. Peoples is not requesting any adjustment in its approved ECCR billing factors. The company states that if the modifications are approved, the modifications will be incorporated in the ECCR projection filing that establish the factors for the 2007 calendar year. Any additional costs resulting from the increase in cash allowances approved by the Commission as well as the treatment of any over and underrecovery balances for both the West Florida and Non-West Florida Regions would be addressed in the 2007 projection filing.

The following charts show the current and proposed appliance allowances Peoples is seeking in this petition as modifications to its energy conservation plans:

Peoples Residential New Construction Cash Allowances

	Peoples	WFL	Proposed
Gas Storage Tank Water Heating	\$250	\$150	\$350
Gas Tankless Water Heating	\$250	\$150	\$450
Gas Heating	\$250	\$250	\$350
Gas Cooking	\$85	\$100	\$100
Gas Clothes Drying	\$85	\$100	\$100

Peoples Residential Appliance Replacement Cash Allowances

	Peoples	WFL	Proposed
Gas Storage Tank Water Heating	\$440	\$250	\$525
Gas Tankless Water Heating	\$440	\$250	\$525
Gas Heating	\$440	\$500	\$625
Gas Cooking	\$75	\$150	\$100
Gas Clothes Drying	\$75	\$150	\$100
Gas Space Heating	\$65	\$150(<50 Btu)	\$65
		\$300(>50 Btu)	

Peoples Residential Appliance Retention Cash Allowances

	Peoples	WFL	Proposed
Gas Storage Tank Water Heating	\$100	\$100	\$350
Gas Tankless Water Heating	\$0	\$0	\$450
Gas Heating	\$0	\$0	\$350
Gas Cooking	\$0	\$0	\$100
Gas Clothes Drying	\$0	\$0	\$100

Based upon the information submitted, staff recommends the Commission approve Peoples' petition for modification to its energy conservation programs: 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 test with a score greater than one and because each program promotes the goals of energy conservation. Peoples' modifications would also include an increase in the current allowances for the programs; establish a tankless water heater allowance for the three proposed programs; allow the proposed Residential Appliance Retention Program to offer additional allowances for heating systems, cooking, and clothes drying appliances and makes the approved programs available to customers in its Non-West Florida Region available to customers in its West Florida Region. The Commission should also approve Peoples' request to

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eliminate the separate West Florida programs so that all of Peoples' customers will now be served by one umbrella of conservation programs.

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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.