

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: January 10, 2007

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

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

RE: Docket No. 060746-EG – Petition for approval of modifications to approved energy conservation programs, by Florida City Gas.

AGENDA: 01/23/07 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\060746.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.

As stated in Rule 25-17.009, Florida Administrative Code, 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 PSC/EAG/18 (4/96), entitled the "Florida Public Service Commission Cost Effectiveness Manual for Natural Gas Utility Demand Side Management

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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 for a company to offer and beneficial for customers.

On November 14, 2006, Florida City Gas (the “Company”) petitioned for approval of modifications to its approved energy conservation programs. The Company is seeking Commission approval to rename certain programs, modify the allowances payable under some of its existing programs, and clarify the program eligibility standards and qualifying allowances under certain programs.

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 Florida City Gas' 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 cost 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. (Brown)

Staff Analysis: On November 14, 2006, Florida City Gas submitted its analysis of the proposed modifications of its conservation programs. The company proposed modifications to the following programs: Residential Builder, Multi-Family Residential Builder, Residential Appliance Replacement, and Residential Water Heater Retention Programs. The proposed modifications are as follows:

- 1) Change the program name of the Residential Builder Program to the Residential New Construction Program.
- 2) Eliminate the Multi-Family Builder Program in order to include multi-family developments in the proposed Residential New Construction Program.
- 3) Change the name of the Triathlon appliance to the Gas Cooling and Dehumidification appliance.
- 4) Establish a tankless natural gas water heater allowance for the three residential programs.
- 5) Allow the Residential Appliance Retention Program to offer allowances for heating systems, cooking, and clothes drying appliances.
- 6) Increase the allowances the Company provides to potential customers when purchasing appliances in the new modified programs.

The modified 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 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 towards the homebuilding industry, residential appliance replacement, and residential appliance retention programs. 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 "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 and by Order No. PSC-06-0816-PAA-GU, issued October 4, 2006, in Docket No. 060478-EG, In re: Petition for approval of modifications to approved energy conservation programs, by Peoples Gas System. A future petition from Chesapeake Utilities Corporation can be expected to modify their natural gas programs to include similar appliance allowances. Each modified program, proposed new allowance, and results from the administered Participants and G-RIM Tests are discussed below.

Residential New Construction Program:

The objective of this program is to increase the conservation of energy resources in the single and multi-family residential new construction markets by promoting the installation of energy-efficient natural gas appliances. The program is designed to expand consumer energy options in new homes. Incentives in the form of cash allowances are provided to support the installation of natural gas including interior gas piping, venting, appliance purchase or lease, and other costs associated with residential gas service. Cash allowances are paid for water heating, space heating, clothes drying, and cooking equipment installations. 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 1.13 to 1.60. Each appliance passed the G-Rim Test with scores in the range of 1.11 to 1.19

Residential Appliance Replacement Program:

This program encourages the replacement of inefficient non-natural gas residential appliances in existing residences. Participation in the program is open to current residential customers and to homeowners converting a residence to natural gas where the Company is able to extend service under its extension of facilities policy. The program provides incentives for the replacement of non-gas water heating, heating, cooking, or clothes drying appliances through the purchase and/or lease of energy efficient natural gas appliances. 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 1.14 to 1.59. Each appliance passed the G-Rim Test with scores in the range of 1.04 to 1.16

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, the Company's Residential Appliance Retention Program only applies to natural gas water heater installations. However, in this proposal, the Company 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 1.19 to 1.67. Each appliance passed the G-Rim Test with scores in the range of 1.37 to 1.48

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

Florida City Gas Residential New Construction Cash Allowances

	<u>Approved Allowances</u>	<u>Proposed Allowances</u>
Gas Storage Tank Water Heating	\$350	No Change
Gas Tankless Water Heating	-	\$450
Gas Heating	\$350	No Change
Gas Cooking	\$100	No Change
Gas Clothes Drying	\$100	No Change

Florida City Gas Residential Appliance Replacement Cash Allowances

	<u>Approved Allowances</u>	<u>Proposed Allowances</u>
Gas Storage Tank Water Heating	\$525	No Change
Gas Tankless Water Heating	-	\$525
Gas Heating	\$625	No Change
Gas Cooking	\$100	No Change
Gas Clothes Drying	\$100	No Change

Florida City Gas Residential Appliance Retention Cash Allowances

	<u>Approved Allowances</u>	<u>Proposed Allowances</u>
Gas Storage Tank Water Heating	\$50	\$350
Gas Tankless Water Heating	-	\$450
Gas Heating	-	\$350
Gas Cooking	-	\$100
Gas Clothes Drying	-	\$100

Based upon the information submitted, staff recommends the Commission approve the Company's petition for modification to three approved 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 Participants Test with a score greater than one and because each program promotes the goals of energy conservation. The modifications would include: renaming the Residential Builder Program to the Residential New Construction Program; eliminating the Multi-Family Residential Builder and include its description in the Residential New Construction Program; change the name of the Triathalon appliance to the Gas Cooling and Dehumidification appliance; increasing the current allowances for some appliances; an addition of a tankless water heater allowance for all three programs; and allowing the Residential Appliance Retention Program to offer allowances for heating systems, cooking, and clothes drying appliances.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, the program modifications should become effective March 8, 2007. If a protest is filed within 21 days of the issuance of the proposed agency action order, the modifications should not be implemented until after the resolution of the protest. If no timely protest is filed, the docket should be closed upon the issuance of a consummating order. (Fleming)

Staff Analysis: If Issue 1 is approved, the program modifications should become effective March 8, 2007. If a protest is filed within 21 days of the issuance of the proposed agency action order, the modifications should not be implemented until after the resolution of the protest. If no timely protest is filed, the docket should be closed upon the issuance of a consummating order.