

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: May 10, 2007

TO: Office of Commission Clerk (Cole)

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

RE: Docket No. 070237-EG – Petition for modifications to approved energy conservation programs and adoption of new energy conservation programs, by St. Joe Natural Gas Company, Inc.

AGENDA: 05/22/07 – 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\070237.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 Form PSC/EAG/18 (4/96), entitled the “Florida Public Service

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Commission Cost Effectiveness Manual for Natural Gas Utility Demand Side Management 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 April 3, 2007, St. Joe Natural Gas Company, Inc. (“St. Joe”) petitioned for approval of modifications to its approved energy conservation programs. St. Joe 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 St. Joe Natural Gas Company's petition for approval of modifications to approved energy conservation programs?

Recommendation: Yes. Each of the proposed residential programs are cost effective. The higher appliance allowances should increase customer participation resulting in more overall savings. (S. Brown)

Staff Analysis: On April 3, 2007, St. Joe Natural Gas Company, submitted its analysis of the proposed modifications to its conservation programs. St. Joe seeks to modify its Single and Multi-Family Residential Homebuilder Program and its Electric Resistance Appliance Replacement Program. The proposed modifications are as follows:

- 1) Change the program name of the Single and Multi-Family Residential Homebuilder Program to the Residential New Construction Program and provide allowances for cooking and clothes drying appliances.
- 2) Change the program name of the Electric Resistance Appliance Replacement Program to the Residential Appliance Replacement Program and provide allowances for cooking and clothes drying appliances.
- 3) Establish a tankless natural gas water heater allowance for the residential programs.
- 4) Increase the allowances St. Joe provides to potential customers when purchasing appliances in the new modified programs.

In addition, St. Joe is proposing new programs: the Residential Appliance Retention and the Energy Conservation Education Programs. The proposed Residential Appliance Retention Program would provide allowances for customers who choose to replace their natural gas storage tank and tankless water heaters, heating systems, cooking and clothes drying appliances with newer efficient models. St. Joe states that the proposed Consumer Education Program would allow the company the opportunity to recover its costs of promoting conservation programs to eligible consumers.

Both the modified and 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 proposed allowances and Residential Appliance Retention Program 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 for 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.¹

Below are descriptions of each of the proposed modified programs and proposed new programs, along with the results from the administered Participants and G-RIM Tests (if applicable) and charts of the proposed allowances (if applicable):

Proposed Modification of Single and Multi-Family Residential Homebuilder Program:

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. The program would provide increased incentives for natural gas cooking, clothes drying and tankless water heating appliances in new construction homes. St. Joe proposes no changes to the approved allowances for natural gas cooling and dehumidification systems installed under this program. Participation in the program is offered to any home builder or developer who installs the aforementioned energy efficient appliances. Each appliance passed the Participants Test with scores in the range of 1.29 to 1.91. Each appliance passed the G-Rim Test with scores in the range of 1.20 to 1.30. Finally, St. Joe proposes to re-title the program the Residential New Construction Program.

St. Joe’s Residential New Construction Cash Allowances

	<u>Approved Allowances</u>	<u>Proposed Allowances</u>
Gas Storage Tank Water Heating	\$175	\$350
Gas Tankless Water Heating	-	\$450
Gas Heating	\$250	\$350
Gas Cooking	-	\$100
Gas Clothes Drying	-	\$100
Gas Cooling and Dehumidification	\$1,400	\$1,400

¹ 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, 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, Order No. PSC-07-0122-PAA-EG, issued February 12, 2007, in Docket No. 060746-EG, In re: Petition for approval of modifications to approved energy conservation programs by Florida City Gas, and Order No. PSC-07-0197-PAA-EG, issued March 5, 2007, in Docket No. 060772-EG, In re: Petition for approval of modifications to approved energy conservation programs by Florida Division of Chesapeake Utilities Corporation.

Proposed Modification of Electric Resistance Replacement Program:

The program would be retitled the Residential Appliance Replacement Program and 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 St. Joe is able to extend service under its extension of facilities policy. The program would provide increased incentives for the replacement of non-gas water heating, heating appliances and propose incentives for gas cooking, clothes drying, and tankless water heating appliances. Each appliance passed the Participants Test with scores in the range of 1.30 to 1.89. Each appliance passed the G-Rim Test with scores in the range of 1.09 to 1.27.

St. Joe's Residential Appliance Replacement Cash Allowances

	<u>Approved Allowances</u>	<u>Proposed Allowances</u>
Gas Storage Tank Water Heating	\$225	\$525
Gas Tankless Water Heating	-	\$525
Gas Heating	\$450	\$625
Gas Cooking	-	\$100
Gas Clothes Drying	-	\$100
Gas Cooling and Dehumidification	\$1,500	\$1,500

Newly Proposed Residential Appliance Retention Program:

The proposed Residential Appliance Retention Program would provide allowances for customers who choose to replace their existing natural gas storage tank and tankless water heaters, heating systems, cooking and clothes drying appliances with newer efficient natural gas models. Each proposed appliance passed the Participants Test with scores in the range of 1.35 to 1.99. Each appliance passed the G-Rim Test with scores in the range of 1.33 to 1.46.

St. Joe's Residential Appliance Retention Cash Allowances

	<u>Approved Allowances</u>	<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

Newly Proposed Energy Conservation Program:

The new program would serve as an outlet to inform consumers of general energy conservation information and 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 St. Joe's petition for modification and proposal of energy conservation programs: Residential New Construction Program, Residential Appliance Replacement Program, Residential Appliance Retention Program and Consumer Education Program. The program modifications and proposals 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. The modifications include: renaming the Single and Multi-Family Residential Homebuilder Program to the Residential New Construction Program; renaming the Electric Resistance Program to the Residential Appliance Replacement Program, developing a Residential Appliance Retention and Consumer Education Program, increasing the current allowances for some appliances and developing a tankless water heater allowance for all three programs.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, the program modifications should become effective July 6, 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 July 6, 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.