

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: August 2, 2007

TO: Office of Commission Clerk (Cole)

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

RE: Docket No. 070339-EG – Petition for approval of energy conservation programs,
by Sebring Gas System, Inc.

AGENDA: 08/14/07 – Regular Agenda – Tariff Filing - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: Company waived 60-day suspension date

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\070339.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.

Sebring Gas System, Inc. (“Sebring” or “Company”) has never offered conservation programs. On May 25, 2007, Sebring petitioned for approval to offer conservation programs.

The company would like to offer four programs: Residential New Construction Program, Residential Appliance Replacement Program, Residential Appliance Retention Program, and Conservation Education Program. These proposed new programs are similar to those offered by Florida's other local distribution companies and previously approved by this Commission.¹ Included with the petition were three exhibits: the cost effectiveness test results for the appliances included in the proposed residential programs, the projected Energy Conservation Cost Recovery ("ECCR") Billing Adjustment Factors (which serve as the rate per therm charges from Sebring to recover costs to implement these programs along with the proposed allowances) and the proposed tariff sheet. The page of Sebring's proposed tariff is 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.

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.

Discussion of Issues

Issue 1: Should the Commission approve Sebring Gas System Inc.'s petition to offer four new energy conservation programs?

Recommendation: Yes. The proposed Residential New Construction, Residential Appliance Replacement, and Residential Appliance Retention Programs are cost effective. Customers should see energy savings by purchasing energy-efficient natural gas appliances and will also receive rebates for their purchase of new appliances. Sebring 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 subsequently reduce their energy bills. (S. Brown, Baxter)

Staff Analysis: Sebring has never offered conservation programs to its customers. On May 25, 2007, Sebring submitted its petition and analysis of four new conservation programs. The analysis included cost effectiveness tests for the appliances in the proposed residential conservation programs, projected Energy Conservation Cost Recovery billing adjustment factors, and proposed tariff sheets. Sebring would like to offer four new residential conservation programs: the Residential New Construction Program, Residential Appliance Replacement Program, Residential Appliance Retention Program and Consumer Education 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. The Commission recently approved a similar petition for approval to offer new conservation programs by Indiantown Gas Company.²

Below are descriptions of each of the proposed conservation 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. This 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 tank water heating, natural gas tankless water heating, and natural gas cooking and provides piping stub-outs for natural gas clothes drying. Each appliance passed the

² Order No. PSC-07-0531-TRF-EG, issued June 26, 2007, in Docket No. 070246-EG, In re: Petition for approval of energy conservation programs, by Indiantown Gas Company.

Participants Test with scores in the range of 1.08 to 1.50. Each appliance passed the G-Rim Test with scores in the range of 1.22 to 1.30.

Sebring'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 this program is open to current residential customers and to homeowners converting a residence to natural gas where Sebring is able to extend service under its extension of facilities policy. This 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 1.07 to 1.45. Each appliance passed the G-Rim Test with scores in the range of 1.18 to 1.32.

Sebring'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 Sebring'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 Sebring'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 1.10 to 1.51. Each appliance passed the G-Rim Test with scores in the range of 1.49 to 1.57.

Sebring'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 Sebring'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 Sebring'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. Sebring should be allowed to petition for recovery of expenditures for these new programs through the Energy Conservation Cost Recovery Clause.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, this tariff should become effective on September 14, 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 September 14, 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.

BILLING ADJUSTMENTS
(continued)

4. **ENERGY CONSERVATION COST RECOVERY CHARGE**

Each bill for Transportation Service supplied to a 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.

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

<u>Rate Class</u>	<u>Recovery Factor</u>
TS-1	\$0.1058 per therm
TS-2	\$0.0438 per therm
TS-3	\$0.0513 per therm
TS-4	\$0.0385 per therm