

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Review to determine cost) DOCKET NO. 960557-GU
effectiveness of conservation) ORDER NO. PSC-97-0042-FOF-GU
programs for Peoples Gas System,) ISSUED: January 9, 1997
Inc.)
_____)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman
J. TERRY DEASON
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING CONSERVATION PROGRAMS

BY THE COMMISSION:

On June 14, 1994, in Docket No. 940643-EG, Chesapeake Utilities Corporation (CUC) filed a petition for approval of its natural gas space conditioning program. On August 16, 1994, Tampa Electric Company (TECO) filed a petition for leave to intervene. TECO claimed that CUC's cost and benefit assumptions were in error and that approval of the program would cause harm to both the program participants and the customers of CUC and TECO. TECO subsequently withdrew its intervention with the understanding that the Commission would open a Docket to reevaluate the methodology used to determine cost-effectiveness for Natural Gas Demand Side Management Programs.

In Order No. PSC-94-1183-FOF-EG, issued September 27, 1994, the Commission determined it would open a docket to evaluate the conservation cost-effectiveness methodology used by Florida's regulated natural gas utilities. Docket No. 941104-EG was opened on October 17, 1994, to accomplish this goal and, if necessary, to develop a new cost-effectiveness methodology to replace the existing one.

After reviewing the Commission's policy, a proposed methodology was developed to evaluate cost-effectiveness of conservation programs and mailed it to all parties of record on November 23, 1994. As part of the process, comments, suggestions and new methodology proposals were solicited from the electric and

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gas utilities. Several workshops were held to discuss and evaluate the proposed methodologies.

On November 21, 1995, Rule 25-17.009, Florida Administrative Code, entitled "Requirements for Reporting Cost Effectiveness Data for Demand Side Management Programs for Natural Gas utilities" was proposed by the Commission. Several parties objected to the rule as written and filed comments. In addition, TECO requested a conditional hearing. Ultimately, the parties reached agreement as to the specifics of the cost-effectiveness methodology, and on February 20, 1996, TECO withdrew its conditional request for a hearing. On April 3, 1996, the Commission approved Rule 25-17.009 and the amended cost-effectiveness methodology in Order No. PSC-96-0464-FOF-EG.

Peoples, which has annual sales greater than 100 million therms per year, is the only gas utility required to offer conservation programs pursuant to the Florida Energy Efficiency Conservation Act, Section 366.82 (1), Florida Statutes. Peoples has been participating in the conservation cost recovery clause since 1981. During that time, Peoples has offered the following conservation programs: Residential Home Builder, Energy Audits, Water Heater Load Retention, Oil Heat Replacement, Small Package Cogen, Commercial Electric Appliance Replacement, Residential Electric Appliance Replacement, and Gas Space Conditioning programs.

Pursuant to Order No. PSC-96-0464-FOF-EG, Peoples refiled its conservation programs for approval using the new methodology approved by the Commission. Peoples submitted revised analyses of its seven conservation programs. The programs were evaluated using a Participants screening Test and a Gas Rim Test (G-RIM). Among the benefits included in the Rim test are: Base Rate revenues, Purchased Gas Adjustment (PGA) revenues, and customer charge revenues. Among the Costs included in the G-Rim Tests are: Supply Main, Development Main, Service line, Meter set, utility allowances, Administration, O & M, and Gas supply costs for Winter and Summer gas supplies.

In evaluating its programs, Peoples used gas supply costs that differed from those reflected in the Purchased Gas Adjustment (PGA) by \$.08/therm in the summer and \$.0485/therm in the winter. If gas supply costs equal to the PGA Factor are used, several of Peoples' conservation programs are not cost effective.

The Company explained that the PGA includes additional charges such as Unused Demand Charges, related "swing supplies", penalty charges incurred from FGT, costs for no-notice transportation

service purchased from the pipeline, administrative and related costs associated with balancing and managing the Company's gas transportation supply on a daily basis. Peoples illustrated that the cost components enumerated above generally do not vary with the consumption attributable to any of Peoples' energy conservation programs, considered either individually or in total. Therefore, Peoples proposed that it is correct to exclude these costs from the gas supply costs associated with the Company's energy conservation programs. We agree.

In addition, Peoples provided more documentation enumerating the gas supply cost/PGA differential. These amounts appear reasonable. The incremental purchased gas analysis is consistent with the incremental fuel analysis used by electric utilities in determining the cost effectiveness of electric demand side management programs. Peoples' Gas Supply Costs of \$.27/Therm during the summer and the \$.3015/Therm during the winter approximate the PGA charges shown. We conclude that the incremental cost theory presented by Peoples is consistent with Commission policy and appropriate for this analysis. We accept that Gas Supply Costs shall equal \$.27/therm (summer) and \$.3015/therm (winter).

We have reviewed People's Conservation programs and, based upon the Gas Supply Costs discussed above, we find all of Peoples' Conservation programs are approved as filed for Energy Conservation Cost Recovery.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Gas Supply Costs equal to \$.27/therm (summer) and \$.3015/therm winter are appropriate to evaluate Peoples Gas System, Inc.'s conservation programs. It is further

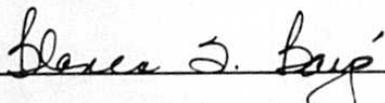
ORDERED that all of Peoples Gas System, Inc.'s conservation programs as filed in this docket are approved for Energy Conservation Cost Recovery. It is further

ORDERED that the provisions of this order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

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ORDERED that in the event this order becomes final, this Docket shall be closed.

By ORDER of the Florida Public Service Commission, this 9th day of January, 1997.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of

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Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 30, 1997.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party substantially affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.