

ORIGINAL

MACFARLANE FERGUSON & McMULLEN

ATTORNEYS AND COUNSELORS AT LAW

900 HIGHPOINT CENTER
106 EAST COLLEGE AVENUE
TALLAHASSEE, FLORIDA 32301
(850) 681-7381 FAX (850) 681-0281

400 NORTH TAMPA STREET, SUITE 2300
P.O. BOX 1531 (ZIP 33601)
TAMPA, FLORIDA 33602
(813) 273-4200 FAX (813) 273-4396

625 COURT STREET
P. O. BOX 1669 (ZIP 33757)
CLEARWATER, FLORIDA 33756
(813) 441-8966 FAX (813) 442-8470

IN REPLY REFER TO:

August 31, 1999

Ansley Watson, Jr.
P.O. Box 1531
Tampa, Florida 33601
e-mail: aw@macfar.com

VIA FEDERAL EXPRESS

Blanca S. Bayo, Director
Division of Records & Reporting
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 981591-EG -- Petition for authority to implement Good Cents Conversion Program by Gulf Power Company

Dear Ms. Bayo:

Enclosed for filing in the above docket on behalf of Peoples Gas System, please find the original and 15 copies of its Prehearing Statement. A computer diskette containing the Prehearing Statement is also enclosed.

Please acknowledge your receipt of the enclosures and the date of their filing on the duplicate copy of this letter enclosed for that purpose, and return the same to me in the preaddressed envelope also enclosed herewith.

Thank you for your usual assistance.

Sincerely,

ANSLEY WATSON, JR.

- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG 1
- LEG 1
- MAS 3
- OPC _____
- PAI _____
- SEC 1
- WAW _____
- OTH _____

AWjr/a

Enclosures

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FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

10446 SEP-1 99

FPSC-RECORDS/REPORTING

Blanca S. Bayo, Director

August 31, 1999

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cc: Jeffrey A. Stone, Esquire
Russell A. Badders, Esquire
Tiffany R. Collins, Esquire

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for authority to implement)
Good Cents Conversion Program)
by Gulf Power Company.)
_____)

Docket No. 981591-EG
Submitted for Filing:
9-1-99

PREHEARING STATEMENT OF PEOPLES GAS SYSTEM

A. APPEARANCES:

ANSLEY WATSON, JR., Esquire
Macfarlane Ferguson & McMullen,
P. O. Box 1531, Tampa, Florida 33601
On behalf of Peoples Gas System, Intervenor

B. WITNESSES:

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
(Direct)		
Joseph W. McCormick (Peoples)	Good Cents Conversion Program - Cost Effectiveness; FEECA Compliance	1-3, 5-10

C. EXHIBITS:

<u>Exhibit</u>	<u>Witness</u>	<u>Description</u>
_____ (JWM-1)	McCormick	SEER of heat pumps; average life of heat pump; Florida building code requirements; Gulf water heater conversion program; Gulf's responses to Staff's Interrogatories Nos. 18 and 7

DOCUMENT NUMBER-DATE

10446 SEP-1 99

FPSC-RECORDS/REPORTING

D. STATEMENT OF BASIC POSITION:

Peoples' Statement of Basic Position:

Gulf Power Company's (Gulf's) proposed program does not meet the letter or intent of the Florida Energy Efficiency and Conservation Act (FEECA) and the Commission should, therefore, affirm its decision as stated in Order No. PSC-99-0684-FOF-EG; that is, the Commission should deny Gulf's petition to implement the program and recover the costs of the program through the Energy Conservation Cost Recovery Clause.

E. STATEMENT OF ISSUES AND POSITIONS:

1. ISSUE: Is Gulf Power Company's proposed Good Cents Conversion Program cost-effective?

Peoples: No. Gulf's analysis showing the program to be cost-effective is flawed by erroneous input assumptions. (McCormick)

2. ISSUE: Is Gulf Power Company's cost-effectiveness analysis based on accurate assumption?

Peoples: No. The per-unit price of natural gas is overstated, summer peak electric demand, winter peak electric demand and annual energy impacts of the program are incorrect, as outlined in Peoples' positions on Issues 6, 7 and 8. (McCormick)

3. ISSUE: Under Gulf Power Company's Good Cents Conversion Program, are customers likely to replace existing inefficient heating, ventilating, and air conditioning (HVAC) equipment only if it fails?

Peoples: No position at this time.

4. ISSUE: Is Gulf Power Company's proposed Good Cents Conversion Program an energy conservation program, or, rather, electricity competing with natural gas?

Peoples: No position at this time. Gulf's own analysis, however, indicates that the program is designed to replace electric air conditioning equipment at or near the end of its useful life.

5. ISSUE: Is Gulf Power Company's proposed Good Cents Conversion Program consistent with the Florida Energy Efficiency and Conservation Act?
- Peoples: No. Adjusted to reflect appropriate input assumptions, the program, if approved, would significantly increase winter peak demand, significantly increase annual electricity consumption, and only minimally decrease summer peak demand, violating both the letter and intent of FEECA.
6. ISSUE: Has Gulf Power Company incorporated reasonable summer peak demand assumptions in its cost-effectiveness analysis?
- Peoples: No. Gulf's analysis of summer peak demand reduction is based on increasing the SEER of space cooling equipment from 7.0 to 11.0 SEER. Air conditioners with a SEER of 7.0 are at or near the end of their useful lives and will soon be replaced without the expense of this program. Federal efficiency standards limit replacement air conditioners or heat pumps to those having a SEER of 10 or higher. Therefore, the realistic summer peak demand reduction achieved by the proposed program is, at best, the reduction associated with a heat pump having a SEER of 11.0 instead of a SEER of 10.0.
7. ISSUE: Has Gulf Power Company incorporated reasonable winter peak demand assumptions in its cost-effectiveness analysis?
- Peoples: No. Gulf's requirement that a customer remove any non-electric heating system dramatically increases the weather-sensitive winter peak demand, contrary to FEECA. Gulf has excluded any potential cost consequences associated with this increase in weather-sensitive peak demand. Additionally, a reasonably probable outcome of this program, considered in conjunction with other Gulf Power marketing efforts, is that customers will also replace non-electric water heaters, which will further increase winter peak and annual electric energy consumption.
8. ISSUE: Has Gulf Power Company incorporated reasonable annual energy usage assumptions in its cost-effectiveness analysis?
- Peoples: No. Gulf's analysis assumes reduced annual electricity consumption.

Using appropriate input assumptions, the proposed program can be expected, instead, to increase consumption. Gulf's analysis assumes this program will cause customers to replace air conditioners with a SEER of 7.0 with heat pumps with a SEER of 11.0. Air conditioners with a SEER of 7.0 are at or near the end of their useful life and will soon be replaced without the expense of this program. Federal efficiency standards limit replacement air conditioners or heat pumps to those having a SEER of 10 or higher. Replacement of non-electric heating systems, the limited energy consumption reduction associated with SEER of 10.0 to SEER of 11.0, and other Gulf Power marketing efforts leading to the replacement of non-electric water heaters will significantly increase annual electricity consumption.

9. ISSUE: Should the Commission approve Gulf Power Company's proposed Good Cents Conversion Program, including approval for cost recovery through the Energy Conservation Cost Recovery (ECCR) Clause? incorporated reasonable annual energy usage assumptions in its cost-effectiveness analysis?

Peoples: No.

10. ISSUE: Should the docket be closed?

Peoples: Yes.

F. STIPULATED ISSUES:

Peoples: None at this time.

G. PENDING MOTIONS:

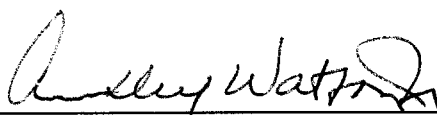
Peoples: None at this time.

H. OTHER MATTERS:

Peoples: None at this time.

Dated this 31st day of August, 1999.

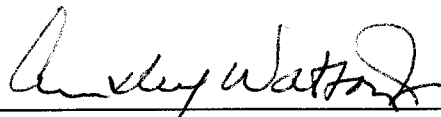
Respectfully submitted,



Ansley Watson, Jr.
Macfarlane Ferguson & McMullen
P. O. Box 1531, Tampa, Florida 33601
(813) 273-4200
Attorneys for Peoples Gas System

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Prehearing Statement of Peoples Gas System has been furnished this 31st day of August, 1999, by regular U.S. Mail, to Jeffrey A. Stone, Esquire, and Russell A. Badders, Esquire, Beggs & Lane, P. O. Box 12950, Pensacola, Florida 32576-2950; and Tiffany R. Collins, Staff Counsel, Florida Public Service Commission, Capitol Circle Office Center, 2450 Shumard Oak Boulevard, Tallahassee, Florida 32399-0863.



Ansley Watson, Jr.