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April 20, 2001

Charles A. Guyton
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By Hand Delivery

Blanca S. Bayó, Director
Records and Reporting
Florida Public Service Commission
4075 Esplanade Way, Room 110
Tallahassee, Florida 32399-0850

010561-EI

In Re: Petition For Approval of Florida Power & Light Company's Residential On Call Research Project and Waiver of Rule 25-6.0438(4)(c) Docket No.

Dear Ms. Bayó:

Enclosed for filing on behalf of Florida Power & Light Company are the original and fifteen (15) copies of Florida Power & Light Company's Petition For Approval of Residential On Call Research Project and Waiver of Rule 25-6.0438(4)(c).

If you or your Staff have any questions regarding this transmittal, please contact me.

Very truly yours,

Charles A Guyton

Charles A. Guyton

CAG
Enclosure

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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida Power &	**)**	**Docket No.**
Light Company For Approval of	**)**	
Residential On Call Research Project	**)**	**Filed: April 20, 2001**

PETITION FOR APPROVAL OF FLORIDA POWER & LIGHT COMPANY'S RESIDENTIAL ON CALL RESEARCH PROJECT AND WAIVER OF RULE 25-6.0438(4)(c)

Florida Power & Light Company ("FPL"), pursuant to Section 366.82(2), 366.05, 366.06, and 366.075, Florida Statutes (2000), hereby petitions the Florida Public Service Commission ("Commission") to (a) approve the Residential On Call Research Project as part of FPL's Demand Side Management Plan, (b) approve experimental Rate Schedule RSLX, original tariff sheets numbered 8.217, 8.218, and 8.219 attached as Appendix B, and (c) allow FPL to recover reasonable and prudent expenditures for the Residential On Call Research Project through FPL's Energy Conservation Cost Recovery ("ECCR") Clause. FPL further petitions, pursuant to Section 120.542, Florida Statutes (2000) and Florida Administrative Code Rule 28-104.002, for a waiver of Florida Administrative Code Rule 25-6.0438(4)(c). In the alternative, FPL requests that the Commission issue an order stating that Rule 25-6.0438(4)(c), Florida Administrative Code does not apply. The grounds for this Petition are:

Introduction

1. FPL is an investor-owned public utility regulated by the Commission pursuant to Chapter 366, Florida Statutes. FPL is subject to the Florida Energy Efficiency Conservation Act ("FEECA"), Section 366.80-85, 403.519, Florida Statutes (2000), and its ECCR Clause is subject to the Commission's Jurisdiction. FPL is substantially affected thereby.

2. FPL's address is 9250 West Flagler Street, Miami, FL 33174. Correspondence, notices, orders and other documents concerning this Petition should be sent to:

Charles A. Guyton
Steel Hector & Davis LLP
Suite 601
215 S. Monroe St.
Tallahassee, FL 32301
(850) 222-2300 (voice)
(850) 224-7510 (facsimile)

William G. Walker, III
Vice President, Regulatory Affairs
Florida Power & Light Company
9250 W. Flagler Street
Miami, FL 33174
(305) 552-4981 (voice)
(305) 552-2398 (facsimile)

Research Project Approval

3. FPL has proposed the Residential On Call Research Project to assess whether FPL can offer a lower incentive for Residential On Call customers in conjunction with a new marketing strategy and not adversely affect program participation and system reliability. The results of FPL market research surveys suggest that with a new marketing strategy FPL should be able to offer a lower On Call incentive and still achieve close to projected demand savings. The results of FPL's market survey research indicate that FPL should be able to reduce On Call program incentives sufficiently to reduce total ECCR costs to FPL customers by approximately $23 million per year. However, given the potentially adverse system reliability impacts if FPL lowers its On Call program incentives and customers significantly reduce participation, FPL believes that before proposing an On Call program modification, it should conduct a research project designed to measure customer response to potential incentive reductions and marketing changes.

4. FPL proposes a controlled experiment in which three groups of customers would be tested. First, FPL would take a randomly selected, representative cross-section of 750 existing On Call customers and notify them of an incentive reduction. The notice would incorporate the new marketing strategy. FPL would then test customer response to the drop in

the incentive level and see if the effect on participation corresponds to the effect projected from FPL's market survey results. Second, a randomly selected group of 625 new On Call customers would have the reduced incentive/new marketing On Call program offered to them to test their acceptance and compare it with the acceptance of the existing program. Third, another group of 625 randomly selected customers who are moving into locations where On Call equipment has been installed ("inheritors") would be offered On Call under the reduced incentive/new marketing strategy approach to compare their acceptance with the acceptance of inheritors under the existing On Call program. Appendix A describes the Residential On Call Research Project in more detail.

5. The tariff sheets necessary to implement the Residential On Call Research Project are Original Sheet Nos. 8.217, 8.218 and 8.219. Those tariff sheets are attached as Appendix B.

6. Service under the Residential On Call Research Project is scheduled to be provided from November 1, 2001 through October 31, 2002. The projected cost of the Residential On Call Research Project is $247,500. A more detailed budget is presented in Appendix A.

7. Customers who receive service under the new experimental rate schedule RSLX will be made whole at the end of the experiment. Customers shall receive a credit equal to the difference between the incentive under the experimental rate and the incentive they would have received under the existing On Call rate. These credits shall be paid with interest calculated consistently with Rule 25-6.109 (4),(5), Florida Administrative Code.

8. The Residential On Call Research Project will help achieve the goals of FEECA and Commission Rule 25-17.001, Florida Administrative Code. One of the expressed intents of the Commission's rules implementing FEECA is to foster research and development. If the Research Project finds that the Residential On Call Program may be offered cost-effectively at a

lower incentive level without significant customer withdrawal, then the Research Project will help FPL to achieve its numeric conservation goals. If the Research Project finds there will be significant customer withdrawal, it will help FPL to achieve its conservation goals by keeping FPL from proposing a program change that would significantly reduce customer participation.

9. A cost-effectiveness analysis for the Residential On Call Research Project is not included because research is needed to determine the cost-effectiveness of the new incentive levels offered in conjunction with the new marketing strategy. However, if the pilot demonstrates that the Residential On Call Program can be offered at reduced incentive levels, such reduced incentive levels would improve the cost-effectiveness of the existing Residential On Call Program.

10. The Residential On Call Research Project is directly monitorable and will yield measurable results. FPL's monitoring and assessment efforts are more fully addressed in Appendix A.

11. FPL is not aware of any disputed issues of material facts. There has not been any prior agency action in this proceeding; therefore, FPL cannot allege "when and how the petitioner received notice of the agency decision." Since there is no agency action for which FPL is seeking reversal or modification, there are no statutes or rules FPL contends require reversal or modification of Commission action.

12. The Residential On Call Research Project should be approved and incorporated into FPL's DSM Plan. The tariff sheets necessary to implement the Residential On Call Research Project, experimental Rate Schedule RSLX, should be approved. FPL should be authorized to recover through its ECCR clause its reasonable and prudent expenditures for the Residential On Call Research Project.

Rule 25-6.0438(4), F.A.C., Waiver Request

13. If necessary, FPL also seeks a waiver of the notice requirement of Rule 25-6.0438(4)(c), Florida Administrative Code, or a ruling that the rule is inapplicable. That rule provides:

> (c) When a utility proposes to make a change in any of its non-firm electric service offerings, it must provide written notice to each customer who may be affected by the proposal.

14. FPL believes that any notice provided of the proposed experiment will bias the results of the research. Such a bias would be a substantial hardship to FPL and its customers. Measuring customer responses to lowered incentives is a critical aspect of the proposed Research Project. If FPL is required to give notice of the proposed changes, the customers will know that the proposed incentive reduction is an experiment, and they will likely change their behavior. Customers also made aware that a randomly selected group of customers will experience reduced incentives may ask to opt out of the experiment or take the position that they are being discriminated against. Customers being made aware that FPL proposes to make them whole at the end of the experiment would not react to reduced incentives as they would if they thought there was no prospect of being made whole. To avoid biasing the proposed experiment, FPL seeks either a waiver of the notice requirement of Rule 25-6.0438 or a ruling that a notice is not required because this is not a change to an existing rate but a new offering under a separate rate schedule.

15. The statutes that are implemented by Rule 25-6.0438, Florida Administrative Code, are Sections 366.03, 366.04, 366.041 and 366.05, Florida Statutes (2000). The underlying purpose of these statutes is to protect the customers of a public utility by assuring, among other things, just, reasonable and fair rates and charges for service. Foregoing the notice in this case works to protect the customers of FPL in two significant fashions.

16. First, it allows FPL to test research that suggests that with a lowered On Call incentive FPL could reduce its annual costs recovered through ECCR by approximately $23 million. That benefit would be passed to all FPL customers, but it might not materialize if the experiment is not properly conducted because the notice biases the results.

17. Second, it allows FPL to conduct the test without customers reacting in a fashion different than they might if they had notice that it was only a test. The response of customers to the lowered incentives is crucial to testing the impact of the lowered incentive on system reliability. FPL's preliminary research suggests that with the proper marketing strategy most of the reduced customer participation associated with reduced incentives can be offset. However, if customers are apprised that this is just a test or they will be made whole at the end of the test, then FPL will not gain a true measure of customer response. This has the potential of adversely impacting FPL's system reliability. If FPL's research is biased from the notice and understates customer drop out due to reduced incentives, then subsequent implementation of the proposed incentives will leave FPL with lower than projected residential load management resources, reducing FPL's reserve margins and its ability to meet peak demand. Customers are best protected by an unbiased experiment without the risk of impaired reliability.

18. In addition, a notice is unnecessary to protect customers. Most existing On Call customers will have no change in service as a result of FPL conducting the Residential On Call Research Project. The existing On Call customers who are moved to the experimental rate and have a reduced incentive will ultimately be made whole at the end of the experiment. FPL will provide them a credit equal to the difference between the lower incentive under the experimental rate and the incentive the customers would have received if they had stayed on the existing On Call rate. Since at the close of the experiment any affected customers will be placed in the same

position they would have been in had they stayed on the existing On Call rate, notice would serve no necessary purpose.

19. The waiver being sought by FPL is temporary; it is for the life of the proposed Research Project. If the experiment leads to a change in the On Call program, FPL anticipates complying with the notice requirement of Rule 25-6.0438(4)(c), Florida Administrative Code, when such a program modification petition is filed.

20. If the Commission determines that a waiver of Rule 25-6.0438(4)(c), Florida Administrative Code, is unnecessary because FPL is proposing a new research project rather than a change to an existing non-firm electric service offering, then FPL seeks a ruling to that effect.

WHEREFORE, FPL respectfully petitions the Commission to (a) approve FPL's Residential On Call Research Project as part of FPL's DSM Plan, (b) approve the experimental tariff sheets necessary to implement the Residential On Call Research Project, Original Sheet Nos. 8.217, 8.218 and 8.219, and (c) allow FPL to recover its reasonable and prudent Residential On Call Research Project expenditures through FPL's ECCR clause. FPL further petitions for a waiver of the notice requirement of Rule 25-6.0438(4)(c), Florida Administrative Code, or a ruling that such a waiver is not necessary because FPL is proposing a new research project rather than a change to an existing non-firm electric service offering.

Respectfully submitted,

STEEL HECTOR & DAVIS LLP
215 S. Monroe St., Suite 601
Tallahassee, Florida 32301-1804

Attorneys for Florida Power
& Light Company

By Charles A. Guyton
Charles A. Guyton

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the foregoing Petition of Florida Power & Light Company For Approval of FPL's Residential On Call Research Project And Waiver Of Rule 25-6.0438(4)(c) was served upon the following person by first class United States Mail this 20th day of April, 2001:

Jack Shreve, Esquire
Office of Public Counsel
111 West Madison Street
Room 812
Tallahassee, FL 32399-1400

Charles A Guyton
Charles A Guyton

APPENDIX A

On Call Reduced Incentives Pilot

I. Background

For the last fourteen years Florida Power & Light Company (FPL) has implemented a successful residential load management program (On Call). The On Call Program is designed primarily to reduce system coincident peak demand, but it also reduces energy consumption.

The On Call Program involves the installation of load control equipment on selected customer end-use equipment to allow FPL to control customer loads on an as needed basis. By the end of 2000, FPL had 650,808 active participants in the program. FPL plans to continue offering this program and is interested in improving the cost effectiveness of the program by instituting a new On Call marketing strategy with lower customer credits that would continue to meet the established peak demand reduction. By reducing the incentives paid to On Call participants, FPL could potentially reduce the average monthly ECCR charge by 15% for all rate classes

FPL performed market research to determine the best incentive strategy to pursue by comparing new marketing strategies and reduced incentives to the current marketing strategy and incentives. The research indicated that compared to the existing strategy, new positioning of the On Call program actually enhanced customers perception, understanding, and benefits of load management. The market research also concluded that in spite of reduced incentives there would still be a demand for program participation with minimal dropouts, less than 10%. FPL feels it is important to verify these research findings by performing a pilot to determine whether significant negative impact to current program participation would occur if incentives were reduced.

II. Pilot Objectives

FPL proposes an in-market test to:

- Determine the effectiveness of the new marketing stragety (herein refered to as positioning) for On Call in terms of new participant enrollment, and

- Determine the actual dropout rates given the reduced incentive levels and new positioning.

III. Pilot Description

The proposed pilot has two main elements: (1) retention of existing participants with reduced incentives and new positioning, and (2) attraction of new participants also with reduced incentives and new positioning. A representative cross section of On Call participants (approximately 750) will be notified of the incentive reduction. This notification will incorporate the new positioning of the program. Simultaneously, FPL will generate leads under the reduced incentives and new positioning to create a second test group (approximately 625). In addition, a third group of customers, inheritors (approximately 625) will be tested. These are customers that move into existing locations where On Call equipment has already been installed. FPL will create an alternate "inheritor" letter from what is currently being used, using the new positioning concept and reduced incentive amounts.

FPL will closely track the dropout rates as well as response rates for new participants. If the results of the pilot differ significantly from the research estimates, qualitative research will be conducted to understand the variations. The pilot project is scheduled to run from November 1, 2001 through October 31, 2002. Regardless of the results of the pilot, upon completion of the pilot all customers participating in the pilot will be given retroactive credits increasing their incentives to reflect the amount they would have received as a regular On Call program participant. In addition, during the proposed pilot, all other existing On Call program participants will not be notified or affected by the pilot. Research obtained during the pilot will be analyzed in late 2002, which will enable FPL to make a recommendation to the Commission for the appropriate program modifications.

IV. Pilot Budget

FPL anticipates spending approximately $247,500 dollars to implement system changes, marketing enrollments, and perform research required to conduct the pilot. The breakdown of the estimated costs is shown below:

Programming	$60,000
Enrollments	$50,000
Research	$60,000
Retroactive Credits	$77,500
Total	$247,500

V. Pilot Monitoring

Through its Customer Information Systems, FPL will track all pilot participants. They will be tracked according to the customer group they are in, the appliances they have in the program, as well as any changes in their participation status. This will allow FPL to determine dropout rates as well as the reasons for the dropouts. It will also allow FPL to determine if any variations exist between sign-up rates under the new incentive levels and marketing strategies versus the existing program design.

VI. Proposed Pilot Schedule

To run an appropriate field test, one complete year of testing and evaluation is required. This will allow FPL to implement the proposed program pilot and observe its impact on initial customer acceptance as well as the impact on retention during peak demand periods. FPL believes that the optimal time to implement program changes of this nature is in non-peak months. Therefore, FPL seeks approval to perform the field test from November 1, 2001 through October 2002.

APPENDIX B

EXPERIMENTAL RESIDENTIAL LOAD MANAGEMENT PROGRAM
(EXPERIMENTAL VERSION OF FPL "ON CALL" PROGRAM)

SCHEDULE: RSLX

AVAILABLE:

Available only to randomly selected Customers (no more than 750 existing RSL Customers, 625 new residential load management Customers, and 625 Customers who move into locations where residential load management equipment has been installed) as an experimental program during the period November 1, 2001 through October 31, 2002 within the geographic areas served by the Company's Load Management System.

APPLICATION:

To Customers who have been selected randomly by the Company to participate in this experimental version of the "On Call" Program and who must utilize at least one of the following installed electrical appliances on the premises:

1. Conventional electric water heater
2. Central electric air conditioning
3. Swimming pool pump (including pool sweeps as appropriate)
4. Central electric space heating*

*Central electric space heating systems alone are ineligible for program participation. These systems are eligible for program participation only when one or more of the other 3 appliances listed above is signed up for participation.

This Service is not applicable for service to commonly-owned facilities of condominium, cooperative, or homeowners' associations.

SERVICE:

The same as specified in Rate Schedule RS-1.

LIMITATION OF SERVICE:

The same as specified in Rate Schedule RS-1. The specified electrical appliances shall be interrupted at the option of the Company by means of load management equipment installed on the Customer's premises.

MONTHLY CREDIT:

Customers receiving service under this schedule will receive a credit on the monthly bill as follows:

	DEVICE (OPTION)	APPLICABILITY	CREDIT
1.	Conventional electric water heater	Year-round	$ 1.50
2.	Central electric air conditioning (Option C)	April-October	$ 3.00
3.	Central electric air conditioning (Option S)	April-October	$ 9.00
4.	Swimming pool pump	Year-round	$ 3.00
5.	Central electric space heating (Option C)	November-March	$ 2.00
6.	Central electric space heating (Option S)	November-March	$ 4.00

Total monthly credit shall not exceed 40 percent of the Rate Schedule RS-1 "Base Energy Charge" actually incurred for the month (if the Budget Billing plan is selected, actual energy charges will be utilized in the calculations, not the levelized charges) and no credit will be applied to reduce the minimum bill specified on Rate Schedule RS-1.

Note: Option C or Option S (listed below) may be selected for either central air conditioning or heating systems. If both appliance types are participating in the program, the same option must be selected.

(Continued on Sheet No. 8.218)

(Continued from Sheet No. 8.217)

In the billing cycle after the close of the experiment on October 31, 2002, Customers who took service under this Rate Schedule shall receive a credit equal to the difference between the credit under the Rate Schedule RSL and the credit under this Rate Schedule times the number of months the Customers took service under this Rate Schedule. Any Customers who discontinue service under this Rate Schedule during the experiment shall receive a credit equal to the difference between the credit under Rate Schedule RSL and the credit under this Rate Schedule times the number of months the Customer took service under this Rate Schedule. These credits shall be paid with interest calculated consistently with Rule 25-6.109 (4), (5) of the Florida Administrative Code.

INTERRUPTION SCHEDULES FOR ELECTRICAL APPLIANCES

The Customer's participating electrical appliances will be interrupted only during the following periods except under emergency conditions.
April 1 through October 31: 2 p.m to 10 p m
November 1 through March 31: 5 a.m. to 11 a.m. and 4 p.m. to 10 p.m.

The interruption schedules available for each appliance are as follows:

1. **Conventional electric water heating** equipment may be interrupted up to, but not to exceed, 240 minutes per day.

2. **Central electric air conditioning** equipment may be interrupted under one of the following options selected by the Customer:

   Option C equipment may be interrupted an accumulated total of 15 minutes during any 30 minute period with a cumulative interruption time of up to 180 minutes per day.

   Option S equipment may be interrupted up to, but not to exceed, 180 minutes per day.

3. **Swimming pool pump** equipment may be interrupted up to, but not to exceed, 240 minutes per day.

4. **Central electric space heating** equipment may be interrupted under one of the following options selected by the Customer:

   Option C equipment may be interrupted an accumulated total of 15 minutes during any 30 minute period with a cumulative interruption time of up to 180 minutes per day.

   Option S equipment may be interrupted up to, but not to exceed, 180 minutes per day.

The limitations on interruptions of electrical equipment shall not apply during emergencies on the Company's system or to interruptions caused by force majeure or other causes beyond the control of the Company.

TERM OF SERVICE:

During service under this schedule, a Customer may change either its interruption options or the selection of electrical appliances connected to the load management equipment or may discontinue service under this schedule by giving the Company 7 days advance notice. If the Customer requests to have one or more appliances removed from participation in the program, the Customer will be ineligible to participate with such appliance(s) again in the program for one year (12 months) from the time participation ended.

As an experimental program, this schedule will expire prior to December 31, 2002. Not less than forty-five (45) days prior to expiration the Customer will be provided the specific date of expiration of this schedule along with specific options to be selected by the Customer prior to expiration of this schedule At a minimum, the options to be provided by the Company will include the ability of the Customer to return to the original schedule under which the Customer was receiving service previously, or such other schedule for which the Customer would otherwise qualify for service. Not less than seven (7) days prior to expiration of this experimental schedule, the Customer will be required to specify the option selected.

(Continued on Sheet No. 8.219)

(Continued from Sheet No. 8.218)

SPECIAL PROVISIONS

1. The Company shall not be required to install load management equipment if the installation cannot be economically justified for reasons such as: excessive installation costs, oversized/undersized heating or cooling equipment or abnormal utilization of equipment, including vacation or other limited occupancy residences.

2. Billing under this schedule will commence upon the installation and inspection of the load management equipment.

3. Multiple units of any particular appliance type must all be connected with load management equipment to qualify for the credit attributable to that appliance type. In such circumstances, only a single credit for that appliance type will be applied. Pool sweeps, when coupled with pool pumps, are included in this category.

4. Installation of the load management equipment in the Customer's home is to be the sole responsibility of a licensed, independent contractor

5. The Customer agrees that the Company will not be liable for any damages or injuries that may occur as a result of the interruption or restoration of electric service pursuant to the terms of this schedule.

6. The following types of electric water heaters are ineligible for participation in the program: solar water heaters, heat recovery units and heat pump water heaters.

7. If the Company determines that the Customer no longer uses one or more of the appliances signed up for program participation, the Company has the right to remove the appropriate load management equipment and to discontinue the appropriate credits.

8. The Customer shall give the Company and its licensed, independent contractor reasonable access for, among other things, installing, maintaining, testing and removing the Company's load management equipment, and for verifying that the equipment effectively controls the Customer's appliances as intended by this schedule.

9. If the Company determines that the effect of equipment interruptions has been offset by the Customer's use of supplementary or alternative electrical equipment, service under this schedule may be discontinued and the Customer billed for all prior load management credits received over a period not to exceed six months from the date of such determination.

10. If the Company determines that its load management equipment on the Customer's premises has been rendered ineffective by mechanical, electrical or other devices or actions of the Customer, then the Company may discontinue the Customers participation in the program and bill for all expenses involved in removal of the load management equipment, plus applicable investigative charges. The Company may rebill all prior load management credits received by the Customer from an established tampering date. If such a tampering date cannot be established, then rebilling shall be for the previous twelve months.