State of Florida

Public Service Commission

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-M-E-M-O-R-A-N-D-U-M-

DATE: December 29, 2010

TO: Office of Commission Clerk (Cole)

FROM: Division of Regulatory Analysis (Matthews)
Division of Economic Regulation (Draper, Higgins)
Office of the General Counsel (Tan)

RE: Docket No. 100435-EG – Petition for approval of extending the small general service price responsive load management program pilot, by Tampa Electric Company.

AGENDA: 01/11/11 – Regular Agenda -- Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED:	All Commissioners
PREHEARING OFFICER:	Administrative
CRITICAL DATES:	Pilot program ends on January 14, 2011
SPECIAL INSTRUCTIONS:	None
FILE NAME AND LOCATION:	S:\PSC\RAD\WP\100435.RCM.01-11-11.tm.DOC

Case Background

On April 23, 2009, Tampa Electric Company (TECO) filed a petition requesting approval of a pilot Small General Service Price Responsive Load Management Program (pilot program). This pilot program is similar to TECO's Residential Price Responsive Load Management

Program,[1] in that both programs utilize a four-tier pricing structure with identical scheduling and rates. The pricing tiers are based on periods of increasing demand.

The pilot program was approved by Commission Order No. PSC-09-0501-TRF-EG, issued July 15, 2009, in Docket No. 090228-EG, In re: Petition for approval of a pilot small general service price responsive load management program, by Tampa Electric Company. The 18-month pilot program is currently scheduled to end on January 14, 2011.

The purpose of the pilot program is to gather data regarding customer acceptance as well as energy and demand savings achieved from this type of load management program. At the conclusion of the program, TECO intends to complete an evaluation of the program's cost-effectiveness and benefit to its customers. At that time, TECO may request to make the program permanent.

On November 8, 2010, TECO filed a petition requesting a time extension for the pilot program until June 30, 2011, in order to analyze data from a full 2010-2011 winter season.

The Commission has jurisdiction over this matter pursuant to Sections 366.06 and 366.80 through 366.82, Florida Statutes (F.S.).

[1] Approved by Order No. PSC-07-0740-TRF-EG, issued September 17, 2007, in Docket No. 070056-EG, In re: Petition for approval of extension and permanent status of price responsive load management program, by Tampa Electric Company.

Discussion of Issues

Issue 1: Has TECO justified the additional expenses associated with the time extension for the Small General Service Price Responsive Load Management Pilot Program?

Recommendation: No. The almost six month delay in program implementation was due to TECO's own actions. TECO did not justify an increase over the $286,000 cap approved by Order No. PSC-09-0501-TRF-EG. TECO should not be authorized to recover any additional expenses associated with this pilot program. If the Commission approves the staff recommendation then the GSVP-1 tariff expires on January 14, 2011, pursuant to Order No. PSC-09-0501-TRF-EG, and TECO should withdraw the tariff at that time. (Matthews)

Staff Analysis: Unlike conventional load control programs in which the utility has the capability to interrupt service in periods of high demand, this pilot program places control in the hands of the customers. With the understanding that energy costs increase during periods of higher demand, customers can modify energy use to shift consumption from periods of higher demand (and therefore higher cost) to periods of lower demand and reduced prices. Customers participating in the pilot program have a smart thermostat, load control relay, and a network communication module installed at no charge. TECO sends price signals to the customers, who are then able to control their energy usage by altering the timing of running a variety of appliances including space heating, air conditioning, water heating, and other commercial equipment. The customers can select to have their equipment automatically controlled depending on these price signals, or they can choose to manually adjust usage depending on business conditions. Under the pilot program, price signals consist of electronic notification of four price periods with each period having a different energy conservation charge. All other components of the customer's electrical charges, such as base rates or fuel, are not affected by price period. The rates for the pilot program are shown in Table 1 below.

Table 1 – Price Period Scheduling and Pricing (as of May 12, 2009)

Rate Period	Days	Summer Schedule	Winter Schedule	Energy Conservation Charge (¢/kWh)
P-1 (Low Cost)	Mon – Fri	11 PM – 6 AM	11 PM – 5 AM	-1.644
	Sat – Sun	11 PM – 6 AM		
P-2 (Moderate Cost)	Mon – Fri	6 AM – 1 PM 6 PM – 11 PM	5 AM – 6 AM 10 AM – 11 PM	-1.130
	Sat – Sun	6 AM – 11 PM		
P-3 (High Cost)	Mon – Fri	1 PM – 6 PM	6 AM – 10 AM	7.245
	Sat – Sun	None		
P-4 (Critical Cost)	As Determined By TECO (134 Hours Max Annually)			41.321

The 18-month period for the pilot program began on July 15, 2009, with the issuance of Order No. PSC-09-0501-TRF-EG. A maximum number of 50 participants and a maximum amount of $286,000 in expenditures were approved. The pilot program is administered under the

Conservation Research and Development program, which is a component of TECO's Demand Side Management Plan. The expenditures for the pilot program are recovered through the Energy Conservation Cost Recovery (ECCR) clause.

Order No. PSC-09-0501-TRF-EG includes an itemized breakdown of TECO's plans for expending the $286,000. To date, TECO has expended almost $280,000 and has requested an additional $78,000 for the six-month extension, which would bring the total pilot program cost to $364,000. The breakdown of these costs is shown in Table 2 below.

Table 2 – Breakdown of Initially Approved Costs, Estimated Term Totals, and Expected Expenditures

Expenditure Category	Initially Approved	Estimated Term Totals	Projected Additional Expenditures	Projected Total Expenditures
Payroll	$67,677	$34,357	$56,000	$90,357
Marketing	$750	$2,951	- 0 -	$2,951
Incentives	$2,500	$2,250	- 0 -	$2,250
Vehicle	$1,500	$872	$2,000	$2,872
Installation & Maintenance	$27,560	$40,282	$10,000	$50,282
Equipment	$36,013	$55,288	$10,000	$65,288
Analysis & Reporting	$150,000	$150,000	- 0 -	$150,000
Total	**$286,000**	**$286,000**	**$78,000**	**$364,000**

Need for Time Extension

TECO contends that, due to delays in getting equipment installed, it did not have a representative sample of customers on the pilot program until February 2010. With the pilot program scheduled to end January 14, 2011, TECO lacks data for a full winter season. A time extension will allow TECO to continue collecting information for the 40 customers currently enrolled in the program, and to develop an informed decision concerning a request for program permanency. Staff recommends that TECO be authorized to extend the pilot program another six months, until June 30, 2011.

However, staff believes that the reasons given by TECO for the delay in getting the program operational do not adequately justify increasing the program's total cost by $78,000, or more than 30 percent. TECO's response to staff data requests states that, "Tampa Electric's initial plan for the pilot program was to procure equipment, which allowed customers with various meter configurations and/or electric service greater than 200 amperes to participate." The response goes on to state that TECO launched an "exhaustive search" but was unable to procure this particular equipment and therefore decided to utilize equipment from the residential version of this pilot program, which "primarily accommodates stand alone meters and service up to 200 amperes."

TECO's approved Tariff GSVP-1 lists the customer equipment requirements for the pilot program. Item 2 on the list is a "service entrance panel or premises power panel rated at 200 amps or less." Staff notes that TECO's statement regarding its "initial plan" is inconsistent with its tariff. Had TECO successfully procured the equipment it apparently spent months attempting to locate, TECO's own tariff would have prevented its use. In response to staff questions regarding the discrepancy between the equipment listed in Tariff GSVP-1 and TECO's explanation of the delay in procuring equipment, TECO stated that it had used the tariff from the residential version of this program as a template, and the 200 ampere limitation had been "inadvertently missed." The pilot program commenced on July 15, 2009, and TECO states that the first installations occurred in December 2009, and data collection began in February 2010. TECO spent approximately six months searching for equipment that it ultimately was unable to procure. While it may be true that "due to the equipment utilized for the pilot program, the ampere limit has not created any tariff violations," staff notes that the almost six month delay was due to TECO's own actions. Staff questions why TECO did not explore the equipment issue in advance of filing the petition to begin the pilot program.

TECO has stated that its primary reason for requesting an extension to the pilot program is that it lacks data for a full winter season. However, staff notes that it does have data beginning in February 2010, and continuing through January 2011. This period would seem to encompass a nearly complete, albeit non-continuous, winter season. In addition, TECO stated during a teleconference in this docket that it had in fact recorded data for a critical-peak pricing event in early December 2010. For these reasons, staff believes that the data already gathered may be sufficient for program analysis.

Additional Cost Items

Table 3 below contains the amounts initially estimated for each category compared to the amounts spent during the current 18-month term and the requested additional expenses. Staff notes several problems with these figures, as explained below.

Table 3 – Differences Between Initially Approved, Estimated Term, and Requested Additional Funds

Expenditure Category	Initially Approved	Estimated Term Totals	Requested Additional Expenditures	Requested Overage Amounts
Payroll	$67,677	$34,357	$56,000	$22,680
Vehicle	$1,500	$872	$2,000	$2,272
Installation & Maintenance	$27,560	$40,282	$10,000	$22,722
Equipment	$36,013	$55,288	$10,000	$29,275
Total additional expenses			$78,000	

Payroll

Order No. PSC-09-0501-TRF-EG included $150,000 for "Analysis & Reporting" to be paid to the University of South Florida (USF). All of these funds were paid at the beginning of the pilot program, in order for USF to receive another $150,000 in matching federal funds. In response to staff data requests, TECO stated that due to the contract between TECO and USF expiring when the original program period expires, TECO personnel will have to take over the data collection and analysis responsibilities. TECO estimates that this function will cost approximately $25,000 of the total $56,000 for payroll expenses to cover the six months between January and June 2011. The remaining $36,000 is comprised of $5,000 for severe weather trouble calls and $26,000 for equipment removal if the program is not found to be cost-effective.

Staff does not believe that TECO has justified the $25,000 for analysis and reporting because the six month delay in program implementation was due to TECO's own actions as discussed above. In response to staff data requests, TECO advised that the $5,000 was a contingency for severe weather purposes and that they do not expect to actually expend those funds. If TECO is unable to obtain data for a few customers due to severe weather, staff does not believe that the integrity of the overall data would be compromised. Finally, the costs for equipment removal ($26,000) should have been included as part of the original program cost cap and not an incremental expense at this time.

Vehicle

TECO stated in response to staff data requests that the additional $2,000 in this category is intended to cover vehicle-related expenses in three areas: (1) those that may arise from severe weather events, (2) those associated with equipment removal, and (3) those associated with normal maintenance activity. Staff notes that only slightly more than half of the original $1,500 allocated in this category has been expended in the first 18 months. As discussed above, if TECO is unable to obtain data for a few customers due to severe weather, staff does not believe that the integrity of the overall data would be compromised. Finally, costs for equipment removal should have been accounted for in the original program funding.

Installation & Maintenance and Equipment

As with the payroll category, TECO advised that $10,000 was added as a contingency for both of these categories to account for severe weather purposes and they do not expect to actually expend those funds. If TECO is unable to obtain data for a few customers due to severe weather, staff does not believe that the integrity of the overall data would be compromised.

Conclusion

Staff finds TECO's argument for additional funding for this program to be unconvincing. The pilot program commenced on July 15, 2009, and TECO states that the first installations occurred in December 2009, and data collection began in February 2010. TECO spent approximately six months searching for equipment that was contrary to its tariff and which TECO was ultimately unable to procure. While it may be true that no tariff violation occurred, staff notes that the almost six month delay was due to TECO's own actions. Staff questions why TECO did not explore the equipment issue in advance of filing the petition to begin the pilot program.

Staff does not believe that TECO has justified increasing the cap of $286,000 that was approved by Order No. PSC-09-0501-TRF-EG. As such, staff recommends that TECO should not be authorized to exceed the previously approved maximum of $286,000 in expenditures for this pilot program. Pursuant to Order No. 09-0501-TRF-EG, the pilot program and its associated GSVP-1 tariff is currently scheduled to end on January 14, 2011, after the duration of 18 months. If the Commission approves the staff recommendation then the GSVP-1 tariff expires and TECO should withdraw the tariff.

Issue 2: Should this docket be closed?

Recommendation: Yes. If no person whose substantial interests are affected by the proposed action files a protest within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order. (Tan)

Staff Analysis: If no person whose substantial interests are affected by the proposed action files a protest within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order.