

M E M O R A N D U M

OCTOBER 12, 1998

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OCT-9 PM 3:24

RECORDS AND
REPORTING

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF LEGAL SERVICES (JAYE) *(JD) RVE*

RE: DOCKET NO. 971462-EG - PETITION BY GULF POWER COMPANY FOR
APPROVAL OF RATE SCHEDULE RESIDENTIAL SERVICE VARIABLE
PRICING (RSVP) AND ASSOCIATED CUSTOMER AGREEMENT

98-1367-FOF-EG

Attached is an ORDER APPROVING PETITION FOR RATE SCHEDULE AND
CUSTOMER AGREEMENT to be issued in the above-referenced docket.
(Number of pages in order - 5)

GAJ/js
Attachment
cc: Division of Electric and Gas (Ging, Haff)
I:971462or.gaj

see 1

2/0

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Gulf Power
company for approval of Rate
Schedule Resident Service
Variable Pricing (RSVP) and
associated customer agreement.

DOCKET NO. 971462-EG
ORDER NO. PSC-98-1367-FOF-EG
ISSUED: October 12, 1998

The following Commissioners participated in the disposition of
this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.

ORDER APPROVING PETITION
FOR RATE SCHEDULE AND CUSTOMER AGREEMENT

BY THE COMMISSION:

Gulf Power Company's (Gulf) Advanced Energy Management Program (AEM) was previously approved by this Commission as part of the Company's Demand-Side Management Plan by Order No. PSC-95-0691-FOF-EG issued June 9, 1995. On November 6, 1997, Gulf filed a petition for approval of the program, the associated rate schedule RSVP and the customer agreement on a permanent basis. We suspended the tariff by Order No. PSC-98-0028-PCO-EG, issued in Docket No. 971462-EG, on January 5, 1998. The Company waived the eight-month time period. The twelve-month time period expires November 6, 1998.

We approve Gulf's petition for approval of the AEM program on a permanent basis and the associated rate schedule RSVP and customer agreement. We believe that the AEM program is cost-effective and the RSVP rate schedule and customer agreement are reasonable.

With Advanced Energy Management, the customer can set major appliances, such as the water heater, air conditioning, heating, and pool pump to be automatically curtailed as prices increase. The curtailment signal is sent through the house wiring relays controlling each appliance. The customer can also modify energy usage to respond to rates established for set periods of time

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FLORIDA PUBLIC SERVICE COMMISSION

during the day to avoid higher cost periods. The current rates and pricing periods are as follows:

Low Cost Hours (P1) 1.269 cents/KWH
 Medium Cost Hours (P2) 2.406 cents/KWH
 High Cost Hours (P3) 6.501 cents/KWH
 Critical Cost Hours (P4) 26.851 cents/KWH

Pricing Periods:

Time Period	P1	P2	P3
<u>May-October</u> Weekdays	11 P.M. - 6 A.M.	6 A.M. - 11 A.M. 8 P.M. - 11 P.M.	11 A.M. - 8 P.M.
Weekends	11 P.M. - 6 A.M.	6 A.M. - 11 P.M.	XXXXXXXXXXXXXXXXXXXX
Nov. - April Weekdays	11 P.M. - 5 A.M.	5 A.M. - 6 A.M. 10 A.M. - 11 P.M.	6 A.M. - 10 A.M.
Weekends	11 P.M. - 6 A.M.	6 A.M. - 11 P.M.	XXXXXXXXXXXXXXXXXXXX

The pricing period (P4) is for critical cost periods only. These periods are expected to occur only 1% of the time, and the customer would be notified at least one-half hour prior to the start of price level (P4).

Gulf's petition contains four modifications to the rates charged in the previously approved RSVP rate schedule under the pilot program. The first modification is the addition of the "Program Participation Charge". This charge is intended to capture the cost of the energy management equipment installed at participating customers' homes. The \$4.53 per month charge is based on original equipment costs and the estimated useful life of the equipment. The second modification increases the (P3) rate from 6.501 cents/KWH to 7.134 cents/KWH. The increase of .633 cents/KWH is intended to capture additional equipment costs associated with larger users not captured in the "Program Participation Charge". Some large use customers may need two units installed in their homes and presumably would use more power and thus make a greater contribution to equipment costs. The third modification is a reinstallation charge of \$114. Energy Management Equipment will be installed at the customer's residence upon the customer's initial request at no charge to the customer. If the same customer requests service at the same residence under the RSVP rate schedule after returning to Residential Service (RS) Rate Schedule they will be charged \$114 for re-installation costs. The

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fourth modification includes a \$109 charge for removal of the equipment if a customer elects to return to the RS rate after participating in the program for a second time. These charges are intended to cover re-installation/re-removal costs and prevent customers from gaming the system.

All other rates are the same as those included in the original pilot study that we approved in Order No. PSC-95-0691-FOF-EG issued June 9, 1995. These rates are designed to be revenue-neutral which takes into account an hour-by-hour analysis of the residential load shape. If the customer does not react to any of the price signals, they should pay the same rate they would on the otherwise applicable RS Rate Schedule. The Low and Medium Cost Hours each represent approximately 40% of usage, the High Cost Hours represent approximately 20% of usage, and the Critical Cost Hourly rate is intended to account for only 1%, or 87 hours per year. When these Critical Cost periods occur the 1% will in most cases displace the High Cost Hour period. The rates proposed by Gulf appear to be based upon supporting data and to be reasonable. The associated Customer Agreement also appears to be both standard to the industry and reasonable.

Gulf's AEM Program is a demand-side management program eligible for cost recovery through the Energy Conservation Cost Recovery (ECCR) Clause. To be eligible for ECCR cost recovery, the program must be a cost-effective alternative to the addition of new supply-side resources. Gulf's AEM Program, as proposed, has a benefit-cost ratio of 1.036 under the Rate Impact Measure (RIM) test. While the program is technically cost-effective at this time, a small decrease in Gulf's avoided capacity cost would likely render the AEM program non cost-effective. However, Gulf's avoided cost is extremely low at \$232/kW, and this value is not likely to decrease much below current levels.

Gulf analyzed the program's benefits and costs over a lengthy 30-year time period. This long of a period is unusual given that the avoided capacity cost is based on a capacity purchase from a combustion turbine unit which typically has a 20-year economic life. On a discounted, cumulative present worth basis, Gulf's own analysis shows that the AEM program's costs are forecasted to outweigh its benefits for 22 years. On a nominal basis, AEM program costs are greater than benefits for 11 years.

We note, however, that the AEM program is expected to contribute nearly all of the demand and energy savings toward

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Gulf's approved Residential DSM Goals. Gulf would surely fail to meet these goals without the demand savings from the AEM program. Further, approval of a marginally cost-effective program is not final. We are scheduled to reset Gulf's DSM goals next year. Another review of Gulf's DSM programs will occur soon after that time.

In summary, the AEM program is marginally cost-effective over the 30-year review period. On both a nominal and a cumulative present worth basis, the program's benefits are not forecasted to surpass its costs for a long period of time. However, we will have the opportunity to review the AEM program after DSM goals are reset next year. We, therefore, approve Gulf's petition for approval of the AEM program on a permanent basis, along with the RSVP Rate Schedule and associated Customer Agreement


It is therefore

ORDERED by the Florida Public Service Commission, that Gulf Power Company's Petition for Approval of Rate Schedule RSVP and Associated Customer Agreement is approved. It is further

ORDERED that if a protest is filed in accordance with the requirement set forth below, the tariff shall remain in effect with any increase in revenues held subject to refund pending resolution of the protest. It is further

ORDERED that if no protest is filed in accordance with the requirements set forth below, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 12th day of October, 1998.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

GAJ

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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.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the proposed action files a petition for a formal proceeding, in the form provided by Rule 29-106.201, Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 2, 1998.

In the absence of such a petition, this Order shall become final on the day subsequent to the above date.

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 on the date described above, any party adversely 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 date this Order becomes final, 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.