

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Determination of cost-) DOCKET NO. 950645-EI
effective level of demand-side) ORDER NO. PSC-96-0842-FOF-EI
management credit for) ISSUED: July 1, 1996
Interruptible and Curtailable)
rate classes of Florida Power)
Corporation.)
_____)

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

ORDER APPROVING TARIFFS

BY THE COMMISSION:

By Order No. PSC-95-0691-FOF-EG adopting Florida Power Corporation's (FPC) Demand-Side Management (DSM) Plan, we ordered that this docket be opened to consider the treatment of FPC's curtailable and interruptible programs because the Company's analysis indicated that its existing curtailable and interruptible rates were no longer cost-effective. Following discussions and correspondence between our staff and the parties, on February 19, 1996, FPC and the Florida Industrial Power Users Group (FIPUG) filed a Joint Motion for Approval of Stipulation.

At the agenda conference held on April 16, 1996, we approved the proposed stipulation, and the existing rates were closed to new customers. In addition, the new interruptible (IS-2, IST-2) and curtailable (CS-2 and CST-2) rate schedules were suspended to allow time for further study.

DECISION

In FPC's last rate case, the Company designed its IS and CS rates using a fully allocated embedded cost study paired with a credit developed on avoided cost. This approach treats non-firm customers as though they were firm for embedded costing purposes, and then determines credits to account for the conservation benefits they provide by being interruptible at times of capacity

DOCUMENT NUMBER-DATE

07004 JUL-1 96

FPSC-RECORDS/REPORTING

shortage. Using the avoided cost at that time, the credits developed reflected a benefit-cost ratio of 1.2.

The new rates originally proposed by FPC reflected a benefit-cost ratio of 1.0, or the minimum acceptable for cost recovery of a conservation program. However, the closed non-firm rates were based on a benefit-cost ratio of 1.2. In addition, we recently approved a reduction in the credits paid under FPC's Residential Load Management program to make that program meet a 1.2 cost effectiveness ratio. Following discussions with our staff, FPC revised its proposed rates to reflect the higher benefit-cost ratio. These changes significantly reduced the demand credits compared to the closed rates.

The revised petition also modifies the manner in which the credit is applied to the customer's load. In the initial filing, the credit was applied to the customer's monthly maximum demand subject to interruption or curtailment. Under the revised petition, the credit is applied to the customer's maximum monthly demand multiplied by their billing load factor. Under this revised method, customers with higher than average load factors receive a larger total credit than customers with lower load factors. Customers with average load factors of approximately 63% will receive the average IS and CS credits of \$1.79 and \$0.94 per KW. This method of billing customers results in the same total amount of credits paid to non-firm customers as if all customers received the same flat credit.

This adjustment of the amount of the credit is justified because load research data indicates that there is a positive relationship between the customer's billing load factor and his coincidence factor. Coincidence factor is a measure of the relationship between a customer's maximum billing demand and his demand at the time of the system peak. Customers with high coincidence factors are more likely to be on the system at the time of peak demand and thus are more likely to provide significant load reductions to the system when interruptions are required.

While the coincidence factor cannot be measured directly, billing load factor, which measures the relationship between the customer's maximum monthly billing demand and his kilowatt hour consumption, has been shown to track coincidence factor. Billing load factor is readily available from billing records and is a suitable proxy for coincidence in adjusting the credits.

In addition to the lowered demand credit, the new rates differ from the closed rates with regard to their eligibility requirements. Under the new rates, customers must have a minimum

monthly demand of 500 kw in order to qualify for service. This minimum monthly demand requirement was removed from the closed rates at the time of FPC's last rate case. At that time, FPC wanted to extend the availability non-firm rates to smaller customers. Traditionally, non-firm rates have been available only to large, predominantly industrial customers who have the ability to incur extended outages via process scheduling and back-up generation.

Smaller, non-traditional customers often require customized installation of interruption and metering equipment due to differing delivery and metering voltages, shared transformers, and space constraints. FPC indicates that those customers with less than 500 kw maximum demand who are currently taking service under the closed IS and CS rates represent less than 5% of the total expected demand reductions for the programs. Because of the additional administrative and technical demands and the small amount of demand reduction that smaller, non-traditional customers provide, FPC now indicates it is not cost-effective to offer non-firm rates to these customers.

The proposed tariffs contain a provision which prohibits customers whose premises are designated for use as a public shelter during periods of emergency or natural disaster from taking service under the rates. This restriction is needed to insure that shelter facilities are not interrupted during times of capacity shortfall, and to insure that FPC will be able to achieve the required load reduction from its non-firm customers.

The proposed tariffs require that customers give FPC three years' notice to discontinue service and return to a firm rate schedule. The closed rates required a five-year notice. Rule 25-6.0438(8), Florida Administrative Code requires that non-firm rates require a five year notice, unless it can be demonstrated that a shorter notice period is appropriate. FPC does not include the demands of non-firm customers when it plans for its generation needs, therefore the notice requirement allows FPC time include the customer's firm load in its generation plans. Given the estimated construction lead times required for FPC's planned unit additions, we find that the reduced notice requirement is appropriate.

The proposed IS-2 and IST-2 rates also contain a provision which allows FPC to exercise at least one interruption per year in order to test the operation of interruption devices and related equipment. In addition, the CS-2 and CST-2 rates allow FPC to curtail customers for test purposes at least once a year.

ORDER NO. PSC-96-0842-FOF-EI
DOCKET NO. 950645-EI
PAGE 4

Upon consideration, we find that the proposed new interruptible and curtailable rates are in the public interest and should be approved. The rates will become effective on June 11, 1996, as requested by the Company.

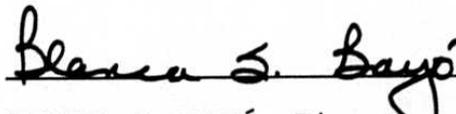
Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power Corporation's Interruptible (IS-2 and IST-2) and Curtailable (CS-2 and CST-2) rate schedules are approved effective June 11, 1996. 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 1st day of July, 1996.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

VDJ

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), 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 Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the action proposed files a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a)(d) and (e), 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 July 22, 1996.

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.