State of Florida

Public Service Commission

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DATE: JUNE 4, 1998

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYÓ)

FROM: DIVISION OF ELECTRIC AND GAS (WHEELER) DPW RT
DIVISION OF LEGAL SERVICES (JAYE) RVE

RE: DOCKET NO. 941102-EI - PETITION FOR APPROVAL OF PROPOSED PILOT/EXPERIMENTAL REAL TIME PRICING PROGRAM AND THE ASSOCIATED RATE SCHEDULE BY GULF POWER COMPANY - SUPPLEMENTAL PETITION FOR AUTHORITY TO ALLOW CUSTOMERS TO CONTINUE TAKING SERVICE PURSUANT TO RATE SCHEDULE RTP AFTER DECEMBER 31, 1998

AGENDA: 06/16/98 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\EAG\WP\941102.RCM

CASE BACKGROUND

The Commission approved Gulf Power Company's (Gulf's) proposed Real Time Pricing (RTP) Pilot conservation program effective February 7, 1995. The RTP rate schedule provides participating customers with hourly energy prices, and thus allows customers to schedule their usage of electricity in a manner which will minimize their total bill. Pursuant to Order No. PSC-95-0256-FOF-EI, issued February 23, 1995, Gulf's RTP program is scheduled to terminate on December 31, 1998, at which time customers participating in the program will return to their otherwise applicable standard rate, unless the program is extended by order of the Commission. On May 4, 1998, Gulf petitioned to extend participation in the RTP program beyond the December 31, 1998, ending date. This recommendation addresses Gulf's request.

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DISCUSSION OF ISSUES

ISSUE 1: Should the Commission grant Gulf's petition to allow Gulf's customers to continue to take service under the RTP rate schedule beyond December 31, 1998? [WHEELER]

RECOMMENDATION: Yes. Staff recommends that Gulf be granted an extension of the program through May 31, 1999, for those customers who are on the rate as of December 31, 1998. Absent any action by Gulf to amend the RTP program or to make it permanent before May 31, 1999, staff recommends that the program terminate on that date.

STAFF ANALYSIS: The RTP pilot program and its accompanying rate schedule were approved by the Commission effective February 7, 1995, in Order No. PSC-95-0256-FOF-EI. Initially, the pilot was limited to 12 customers. Effective February 4, 1997, the Commission approved an increase in the number of customers to 24 in Order No. PSC-97-0217-FOF-EI. As of the first quarter of 1998, there were 22 customers on the rate. By operation of Order No. PSC-95-0256-FOF-EI, the program is scheduled to end on December 31, 1998, unless extended by order of the Commission.

Under the RTP rate schedule, customers are provided with 24 hourly energy prices by 4:00 p.m. of the previous day. This allows customers to schedule their energy use to minimize their total bill. The energy prices vary according to a projection of Gulf's hourly system lambdas. Gulf believes that the program will result in cost-effective peak demand reductions.

The order approving the RTP pilot program requires Gulf to file quarterly reports with the Commission which show the revenue shortfall or gain experienced under the rate, which is defined as the difference between what the customers would have paid under their otherwise applicable standard rate and the RTP rate. In addition, the report must show the impact of this shortfall on Gulf's earnings. By April 30, 1999, Gulf must provide to the Commission a final report describing the program results. Gulf indicates that they expect to file for Commission approval of a permanent or modified RTP pilot program either on or before this date.

Gulf's current petition asks that the Commission allow existing customers to continue to take service under the RTP rate schedule after December 31, 1998, "while the Company completes its analysis of the data collected during the pilot study period and while the Commission considers any subsequent request by Gulf Power for continued authority to offer a real time pricing option on either a permanent or modified pilot study basis."

Because Gulf is a summer peaking utility, the hourly prices in the summer months are higher than in other months, and as a result, customers pay higher rates in the summer. This effect is reflected the RTP quarterly reports filed thus far for the RTP pilot. Gulf states that customers feel that they must decide now whether to remain on the rate because the customers want assurance that they will be able to continue to take service during the lower-cost winter months to compensate for the upcoming higher-cost summer months. Gulf feels that if customers are not assured at this time that the rate will be in effect for at least five or six months beyond the scheduled termination date of December 31, 1998, they may withdraw from the program, and Gulf will not be able to collect all the data they need to evaluate the program.

Staff has reviewed Gulf's petition and the RTP quarterly reports filed to date, and believes that allowing customers who are on the RTP rate as of December 31, 1998 to continue on the rate until May 31, 1999 will address Gulf's concerns about the collection of sufficient data to evaluate the RTP program. If Gulf does not act to further modify the RTP program or to make it permanent before May 31, 1999, staff recommends terminating the program on that date. Staff believes in so doing, Gulf will have had the benefit of a full data set and Gulf's customers will have had the benefit of taking service under the RTP program through the off peak (non summer) seasons of 1998-1999. Staff recommends that the extension be approved.

ISSUE 2: Should the Commission require Gulf to file amended RTP tariff sheets to reflect the extension of the program?

RECOMMENDATION: Yes. Staff recommends that the Commission require Gulf to file amended RTP tariff sheets to reflect the extension of the program. Staff recommends that the tariff change be administratively approved.

STAFF ANALYSIS: Staff recommends that the Commission require Gulf to file amended RTP tariff sheets to reflect the extension of the program, and that the amendment indicates that the extension applies only to those customers who are on the rate as of December 31, 1998. The staff requests that it be permitted to administratively approve this tariff change.

ISSUE 3: Should this docket be closed?

RECOMMENDATION: Yes, if no protest is filed within 21 days of the issuance of this order. [JAYE]

STAFF ANALYSIS: Pursuant to Rule 25-22.029(4), Florida Administrative Code, any person whose substantial interests are affected by the proposed agency action shall have 21 days after the issuance of the order to file a protest. If no timely protest is filed, the docket should be closed.