

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for approval of) DOCKET NO. 960316-EI
real time pricing demonstration) ORDER NO. PSC-96-0717-FOF-EI
tariff by Florida Power) ISSUED: May 28, 1996
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 REAL TIME PRICING
DEMONSTRATION TARIFF

BY THE COMMISSION:

CASE BACKGROUND

On March 11, 1996, Florida Power Corporation (FPC) petitioned the Commission for approval of a real-time pricing demonstration tariff (RTP-1). The demonstration tariff provides hourly energy prices to a maximum of 10 customers each having a demand greater than one megawatt and participation is optional. FPC is interested in evaluating how customers respond to the hourly energy prices. FPC feels that real-time pricing is a tool that customers can use to control their energy costs. As such, RTP-1 will increase customer choice and should therefore increase overall customer satisfaction with the service provided by FPC. From FPC's viewpoint, the customers' responses to price changes should improve the company's operating efficiencies. If customers respond to the price signals as FPC predicts, then load will be curtailed during the high priced system peak periods and increased during the hours when FPC's plants are operating at or below minimum load levels.

The demonstration is anticipated to last up to four years and FPC will submit a final report detailing the results within 180 days of completion of the study. FPC is not requesting recovery of any costs through the energy conservation cost recovery factor (ECCR) clause associated with this demonstration program at this time.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

DECISION

The objective of FPC's real-time pricing demonstration is to evaluate customer responses to hourly energy prices. This objective is similar to the previous two RTP experimental rate schedules approved by the Commission. The basic premise underlying time-of-use pricing is to encourage customers to shift usage from the high cost on-peak hours to lower cost off-peak hours through varying energy prices. If customers do shift their load from the on-peak periods into the off-peak periods, then some benefits flow to both the RTP customer and to the remaining body of customers. Towards that end, FPC will provide participating RTP customers with a set of hourly prices that will be in effect for the following 24 hour period beginning at midnight. FPC will transmit the hourly prices to the customers by 4:00 p.m. the preceding day. RTP customers will then have an opportunity to modify their consumption patterns to receive cost savings.

The RTP-1 demonstration tariff is simple and straightforward and appears to be reasonable. The overall hourly energy charge that a customer will see includes four components: 1) embedded generation cost which will vary according to hourly system load; 2) the tariffed energy conservation cost recovery factor (ECCR); 3) the tariffed capacity cost recovery (CCR) factor; and 4) hourly system fuel costs. Also added to each customer's monthly bill will be a customer charge, a coincident demand charge to recover embedded transmission costs, and a noncoincident demand charge to recover embedded distribution costs. On a class basis, the proposed RTP-1 rate is revenue neutral. This is because the RTP-1 revenue level used to establish the RTP-1 rates is equal to the revenue the company would have collected through the company's general service demand time-of-use rate offering.

Consistent with the treatment afforded both Florida Power and Light (FPL) and Gulf Power Company, FPC has not requested to recover any of the cost associated with this program through the ECCR clause. FPC reserves the right to collect these costs at a future date provided that it can successfully demonstrate that its real-time pricing is truly a conservation program.

FPC agrees to file the pre-test load profiles with the Commission as customers begin taking service on the RTP-1 rate schedule. The pre-test load profiles are necessary for staff to verify any conclusions reached by the company at the end of the demonstration. Also, FPC shall submit a letter each quarter to the Commission's Division of Electric and Gas that details the amount of total costs FPC has incurred under this rate schedule. The report will divide total costs into two categories. The first

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category is the revenue shortfall/gain the utility experiences. This is defined as the difference between what the customer would have paid on the otherwise applicable rate schedule and what the customer actually paid on the RTP-1 rate schedule irrespective of the first year of service revenue cap. The second category will contain all other RTP-1 program costs. Finally, on a calendar year basis, FPC agreed to file a brief report explaining the accuracy of the previous years forecast of system lambda. At a minimum, the report will identify the variables which have the greatest impact on the overall accuracy of FPC's system lambda forecast.

We approve FPC's petition for approval of real time pricing demonstration tariff, as described above, effective May 8, 1996.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power Corporation's petition for approval of real time pricing demonstration tariff is approved, effective May 8, 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 28th day of May, 1996.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

by: Kay Deegan
Chief, Bureau of Records

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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 June 18, 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.