

State of Florida



# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

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

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**DATE:** August 13, 2015

**TO:** Office of Commission Clerk (Stauffer)

**FROM:** Division of Economics (Draper, Rome) *EAD*  
Division of Engineering (Graves) *REF*  
Office of the General Counsel (Villafrate) *WJ*

**RE:** Docket No. 150147-EG – Petition for approval of phased final closure of residential load management program, by Tampa Electric Company.

**AGENDA:** 08/27/15 – Regular Agenda – Tariff Filing – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Administrative

**CRITICAL DATES:** 01/20/16 (8-month Effective Date)

**SPECIAL INSTRUCTIONS:** None

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## Case Background

On May 20, 2015, Tampa Electric Company (TECO) filed a petition for approval of the phased closure of its Residential Load Management program under the RSL-3 tariff (Prime Time) to existing customers. On July 23, 2015, TECO waived the 60-day suspension date. TECO is an investor-owned public utility subject to the jurisdiction of the Commission under Chapter 366, Florida Statutes (F.S.).

The Prime Time program was initially approved as part of TECO's demand side management (DSM) plan in 1981.<sup>1</sup> In February 2005, the Commission approved TECO's DSM plan for the period 2005-2014; in its order, the Commission addressed Prime Time and observed that it was

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<sup>1</sup> Order No. 10238, issued August 26, 1981, in Docket No. 810194-EU, *In re: Uniformity of rate schedule classification – electric utilities.*

no longer cost effective.<sup>2</sup> The Commission determined that the Prime Time program should be closed to new business; however, existing customers would be allowed to continue on the program.<sup>3</sup> TECO did not include Prime Time in its DSM plans submitted in 2010 or 2015 and does not apply the demand and energy savings of Prime Time towards its conservation goals.

TECO commenced a phased closure of its Prime Time program in January 2014 and offered customers the Energy Planner load management program as an alternative. However, TECO's petition recognizes that this effort should have been preceded with a request for Commission approval for the final closure of the program. On May 7, 2015, TECO ceased removing customers from the Prime Time program pending resolution of this docket.

On August 10, 2015, TECO filed a letter stating that it would offer additional consideration to those Prime Time customers who were removed from the program between January 2014 and May 2015. TECO would conduct a special focused effort to offer the affected customers a free home energy audit, a free standard packet of CFL light bulbs, and additional consultation regarding the opportunity to participate in TECO's other DSM programs.

During its evaluation of the petition, staff issued two data requests to TECO for which responses were received on June 24, 2015, and July 17, 2015, respectively. The Commission has jurisdiction over this matter pursuant to Sections 366.81 and 366.82, F.S.

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<sup>2</sup> Order No. PSC-05-0181-PAA-EG, issued February 16, 2005, in Docket No. 040033-EG, *In re: Petition for approval of numeric conservation goals by Tampa Electric Company.*

<sup>3</sup> *Id.*

## Discussion of Issues

**Issue 1:** Should the Commission approve TECO's petition for the phased closure of the company's Prime Time program?

**Recommendation:** Yes, the Commission should approve TECO's phased closure of the Prime Time program. TECO's phased closure of Prime Time should begin on the date on which the final order issued in this docket becomes effective. Within 10 days subsequent to the completion of the removal of all remaining customers from the Prime Time program, TECO should file cancellations of Tariff Sheets 3.110, 3.111, and 3.112 for administrative approval by staff. (Rome, Draper, Graves)

**Staff Analysis:** To evaluate TECO's request, it is necessary to offer some background information regarding the Prime Time program and events which have occurred since 2005 when Prime Time was closed to new business.

### Background

#### *Description of the Prime Time program*

Prime Time is a voluntary residential load control program designed to reduce peak demand by interrupting service to water heaters, pool pumps, and central electric heating and air conditioning units. Participating customers are provided monthly bill credits in exchange for allowing some or all of their electrical equipment as identified above to be interrupted. The last time Prime Time participants were interrupted was on June 17, 2013.

The Prime Time program is administered under TECO's Commission-approved RSL-3 tariff, which is delineated on Tariff Sheet Nos. 3.110, 3.111, and 3.112. The monthly bill credit for central heating and cooling appliances is \$12.00 per month for a continuous 3-hour interruption and \$6.00 per month for summer cycle interruption. Water heater and swimming pool pump monthly credits are \$4.00 and \$3.00, respectively.

The credits provided to participating customers and associated program costs are recovered from all ratepayers through the Energy Conservation Cost Recovery (ECCR) clause. In February 2005, the Commission found that the Prime Time program was no longer cost-effective because it had a benefit-cost ratio of 0.74 under the rate impact measure (RIM) test.<sup>4</sup> Because Prime Time is not cost effective under the RIM test, non-participating customers pay a subsidy to program participants. For this reason, the Commission found that TECO should close the program to new participants, but allow current participants to continue on the program.

The closure of the Prime Time program in 2005 enabled natural attrition to occur more rapidly, resulting in less of a subsidy paid by non-participants.<sup>5</sup> TECO states in its petition that there were approximately 68,000 Prime Time customers when the program was closed to new business in 2005. Since 2005 approximately 34,000 customers have left the program. TECO stated that in

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<sup>4</sup> Order No. PSC-05-0181-PAA-EG, issued February 16, 2005, in Docket No. 040033-EG, *In re: Petition for approval of numeric conservation goals by Tampa Electric Company.*

<sup>5</sup> *Id.*

2005 it recovered \$10,229,130 in Prime Time program costs through the ECCR clause. As participants have left the program, Prime Time program costs recovered through the ECCR clause declined to \$5,122,692 in 2014.<sup>6</sup>

### ***Events Affecting Prime Time since 2005***

TECO asserts that the obsolescence of hardware and software and the unavailability of replacement parts present an impediment toward continued operation of the Prime Time program. The radio receivers that coordinate the turning off and/or cycling of appliances in customers' homes were developed in the early 1990s based upon the system infrastructure design of the 1970s. As radio receiver failures occur, TECO has no indication that the receiver has failed unless the customer contacts the company. TECO exhausted its radio receiver replacement inventory in 2012 and further states that, given the age of the equipment and the complexities involved with upgrading components to be compatible with current infrastructure and communication protocols, the manufacturing of new replacement radio receivers is not a viable option.

TECO states that the software utilized to support the Prime Time program was developed by a sole vendor who retained ownership of any patents and the software code, thus limiting TECO's ability to modify it in any way. A support services agreement no longer exists with the vendor and if the software system fails, the ability to make the necessary programming changes to recover the system is very limited. TECO further states that all of the Palm Pilots containing the software to interface with the radio receivers have failed.

TECO conducted a field reliability study in June 2012 to determine the current load control capability of the Prime Time program. Of the 453 radio receivers tested, 159 (35 percent) did not pass the field test. Hence, the results of the study revealed that the overall impact to the system is that it would perform 35 percent less than expected, despite the monthly credits paid to participants.

In January 2014, TECO commenced a retirement program of systematically contacting the approximately 37,000 remaining Prime Time customers to: (a) advise them that the equipment installed at their residences had become obsolete and was no longer cost effective to maintain and operate, and (b) offer the company's Energy Planner program to customers as an alternative to Prime Time. TECO's outreach efforts included the following: train team members with Energy Management Service to directly handle phone calls with Prime Time customers; developing a customer letter explaining the reasons for closing Prime Time, offering the Energy Planner program as a potential alternative, and providing a direct phone number to reach Energy Management Service team members; and developing door hangers to leave at a Prime Time customer's home if they were not home when the equipment was being disconnected.

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<sup>6</sup> The total ECCR clause amount collected by TECO in 2014 was \$48,587,406.

To begin its phased closure process, TECO initially selected customers in groups of 100 to ensure that the processes identified above were working properly. TECO then gradually increased the number of selected customers to 1,600 per month. During the period between January 2014 and the May 2015 suspension of the initial phased closure effort, TECO states that it removed approximately 15,000 Prime Time customers from the program. To date, staff has received two complaints from customers who were removed from the Prime Time program. The customers expressed concerns regarding the time of use requirements necessary to achieve monetary savings under the Energy Planner program and also that the potential savings under Energy Planner would be less than under Prime Time.

### **Current Assessment of Prime Time**

In preparation for filing its petition for approval of the phased closure of Prime Time, TECO performed a cost-effectiveness test in May 2015. The current test yielded a benefit-cost ratio of 0.46 under the RIM test. This represents a decline from the RIM benefit-cost ratio of 0.74 in 2005.

As of June 1, 2015, there were 19,825 customers remaining in the Prime Time program. By December 31, 2015, TECO projects to have 14,000 Prime Time customers remaining as customers continue to leave the program through general attrition. TECO proposes to complete its phase-out of the Prime Time program by July 1, 2016. To complete the phased closure of the program by this date, TECO proposes to remove 2,333 customers per month between December 31, 2015, and June 30, 2016.

### **Customer Impacts**

TECO's outreach efforts regarding the discontinuation of the Prime Time program include the promotion of Energy Planner as an alternative to enable residential customers to lower their monthly bills in comparison with standard residential rates. Energy Planner is a price-responsive load management program administered under TECO's Commission-approved RSVP-1 tariff which is delineated on Tariff Sheet Nos. 6.560, 6.565, and 6.570. Energy Planner was approved as a pilot program in 2005,<sup>7</sup> and as a permanent program in 2007.<sup>8</sup>

The Energy Planner program does not provide credits. Energy Planner is a time-differentiated critical peak pricing program that offers lower rates 87 percent of the time during off-peak hours. It offers the opportunity for customers to save money by modifying their home energy usage to occur during the designated off-peak periods when Energy Planner program rates are lower than standard residential rates. In addition, programmable thermostats and other equipment control devices can be scheduled to avoid operation of the selected equipment when the price of energy is higher during on-peak periods or during the limited critical peak pricing signals sent at the time of TECO generation shortfalls.

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<sup>7</sup> Order No. PSC-05-0181-PAA-EG, issued February 16, 2005, in Docket No. 040033-EG, *In re: Petition for approval of numeric conservation goals by Tampa Electric Company.*

<sup>8</sup> 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 pilot program, by Tampa Electric Company.*

During the development of its 2015-2024 DSM Plan, TECO conducted a study of Energy Planner participants in comparison with residential customers on standard rates and determined that the average Energy Planner participant saves approximately \$51 in annual energy costs. In comparison, the average annual credit for Prime Time participants in 2014 was \$120.

### **Conclusion**

Based on the information provided by TECO in its petition and in response to staff's data requests, staff believes that TECO has demonstrated that the Prime Time program continues to not be cost effective and faces significant impediments to its continued effective operation. Therefore, staff recommends approval of TECO's phased closure of the Prime Time program. Staff further recommends that TECO's phased closure of Prime Time should begin on the date on which the final order issued in this docket becomes effective. Within 10 days subsequent to the completion of the removal of all remaining customers from the Prime Time program, TECO should file cancellations of Tariff Sheets 3.110, 3.111, and 3.112 for administrative approval by staff.

**Issue 2:** Should this docket be closed?

**Recommendation:** No. If a protest is filed with 21 days of the issuance of the order, the Prime Time tariff should remain in effect for all existing Prime Time customers pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Villafrate)

**Staff Analysis:** If a protest is filed with <sup>in CD</sup> 21 days of the issuance of the order, the Prime Time tariff should remain in effect for all existing Prime Time customers pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.