

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for approval of) DOCKET NO. 941102-EI
proposed pilot/experimental Real) ORDER NO. PSC-95-0256-FOF-EI
Time Pricing Program and the) ISSUED: February 23, 1995
associated rate schedule by GULF)
POWER COMPANY.)
_____)

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 PILOT PROGRAM AND TARIFF

BY THE COMMISSION:

On October 13, 1994, Gulf Power Company (Gulf or company) petitioned the Commission for approval of its proposed Real Time Pricing (RTP) Pilot Conservation Program and the associated RTP tariff rate schedule. On November 8, 1994, we voted to suspend Gulf's RTP tariff so that our staff could further investigate the proposed program.

Gulf's RTP pilot program provides large industrial/commercial customers with hourly kilowatt-hour energy prices. To be eligible for the RTP rate schedule, customers must have a maximum monthly demand of at least 2,000 kilowatts. Participation in the program is voluntary and will be limited to a maximum of 12 customers. Service under the experimental rate schedule shall terminate on December 31, 1998, unless extended by order of the Commission. Unless a permanent RTP rate schedule is approved by the Commission, customers will be returned to the otherwise applicable rate schedule at the end of the experiment. Customers, however, have the option to terminate service at any time during the pilot study by providing the company with written notice. After voluntary termination, the customer is not allowed to select the RTP rate schedule again for the duration of the experimental period.

Real time pricing is a refinement of time-of-use (TOU) pricing, which has been in existence for many years. The purpose of TOU pricing is to encourage customers to shift usage from high

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cost on-peak hours to lower cost off-peak hours by setting prices that better reflect system costs during those periods. Under the RTP proposal, Gulf will transmit to customers by 4:00 p.m. a set of hourly prices that will be in effect for the following 24-hour period beginning at midnight. Customers then have an opportunity to adjust their usage to take advantage of lower priced hours.

Gulf's RTP program is not designed to be revenue neutral. Revenue neutrality means if customers use the same amounts of energy at the same times as they have historically, their electric bills will not differ from what they pay under existing embedded cost rates. Because Gulf's RTP program is not revenue neutral, participating customers may see an increase or a decrease in their monthly electric bills simply by being billed under the RTP rate schedule.

The monthly electric bill for participating RTP customers will consist of an energy charge and a customer charge. The customer charge is a fixed charge of \$1000 per month. The monthly energy charge is the sum of the kilowatt-hours consumed in a given hour multiplied by the stated price of electricity for that same hour for all hours in the billing month.

Using historical data, Gulf estimates that hourly energy prices will range from a high of 23.9 cents per Kwh to a low of 3.0 cents per Kwh. The average price for all hours in 1994 was estimated to be 3.65 cents per Kwh. The hourly energy charge will always include, at a minimum, the currently effective Energy Conservation, Purchased Power Capacity, Fuel, and Environmental cost recovery adjustment factors, a component to reflect marginal costs, and a small factor that contributes to fixed costs.

Gulf asserts that the primary purpose of the study is to measure customer response to hourly price signals and to collect data and conduct research in three areas. First, price and billing data will be collected so that the customers' average achieved cost per Kwh can be compared with the average RTP offered price. This information will also be used to determine the amount of revenue shortfall/gain the utility experiences by providing service under this rate schedule. Second, the pre-test customer load profiles will be compared to the load profiles obtained during the pilot to determine if there is any load shifting or load expansion, and to determine if there is any peak demand reduction. Although Gulf believes the RTP program will result in system peak load reductions that are sufficient to qualify RTP as a cost-effective conservation program, it has not sought recovery of any costs associated with the program. Finally, the company will

conduct research to determine the participating customers' reaction to and acceptance of the RTP program.

Within 120 days of completion of the RTP program, Gulf will submit a final report to this Commission describing the program results. In addition, we find that Gulf should submit the pre-test customer load profiles to us as each customer begins to take service under the RTP rate schedule. This information will allow us to verify the conclusions reached by the company at the end of the program. The company should also submit a letter each quarter to the Commission's Division of Electric and Gas, detailing the amount of total costs the company has incurred for the current quarter to provide service under this rate schedule. The report should divide the total costs into two categories: 1) 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 rate schedule; and 2) All other RTP program costs. In addition, the letter should provide the impact of the total costs on earnings in terms of basis points as reflected in the monthly surveillance report filed with the Commission. This requirement is consistent with the treatment the Commission has accorded Florida Power and Light Company's RTP rate schedule.

For the above reasons, we find that Gulf's proposed RTP program should be approved. The effective date of Gulf's RTP tariff rate schedule shall be February 7, 1995, as the company requested. We note, however, that approval of Gulf's petition does not imply that we agree with the company's characterization of RTP as a conservation program. Further, our approval of this petition will not result in automatic recovery of RTP program costs through the Energy Conservation Cost Recovery clause, should the company seek recovery of such costs at a later date.

In consideration of the foregoing, it is

ORDERED by the Florida Public Service Commission that Gulf Power Company's Real Time Pricing Pilot Conservation Program and the associated tariff rate schedule are approved, subject to the reporting requirements described in the body of this Order. It is further

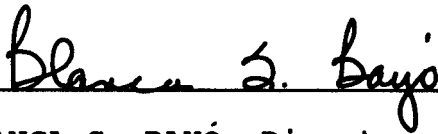
ORDERED that the effective date for the Real Time Pricing tariff rate schedule shall be February 7, 1995. It is further

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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 requirement set forth below, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 23rd day of February, 1995.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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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, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on March 16, 1995.

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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.