

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for approval of extension and permanent status of price responsive load management pilot program, by Tampa Electric Company.

DOCKET NO. 070056-EG
ORDER NO. PSC-07-0151-PAA-EG
ISSUED: February 21, 2007

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman
MATTHEW M. CARTER II
KATRINA J. McMURRIAN

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING EXTENSION OF
RESIDENTIAL LOAD CONTROL PILOT PROGRAM

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

Background

On January 17, 2007, Tampa Electric Company (TECO) filed a petition requesting an extension of the demand side management program measure known as the Residential Price Responsive Load Management Pilot program. The pilot program, which became effective February 1, 2005, was first approved by 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. In that docket, TECO described the new program and provided estimates of the participation and costs, along with the proposed tariff. The description and estimates were based on a projected program period of 24 months from the effective date of the tariff.

In this petition, TECO asserts that the pilot program is worthy of continuation as a permanent component of the company's demand side management (DSM) plan. In order to provide a seamless transition from the pilot to the permanent program, TECO requests authorization to extend the program on a temporary basis pending the company's request to make the program permanent. We have jurisdiction pursuant to sections 366.06, and 366.80 through 366.82, Florida Statutes.

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Pilot Program Extension

The conservation pilot program was approved by Order No. PSC-05-0181-PAA-EG as part of TECO's conservation planning for the period 2005-2014. The pilot program was authorized based on projections and analysis indicating that it would meet the three criteria required:

- The program would be directly monitorable and yield measurable results;
- The program would be cost effective; and
- The program would advance the policy objectives of Rule 25-17.001, Florida Administrative Code, and sections 366.80 through 366.85, Florida Statutes, also known as the "Florida Energy Efficiency and Conservation Act" (FEECA).

The pilot program was originally described as a new approach, utilizing a new generation of communication and control technologies to put participating residential customers in charge of decisions that could lower energy costs. Pricing information, based on a multi-tiered rate structure, is provided to participating customers on a daily basis. Customer decisions to turn off equipment, change a temperature setting, or procure more efficient equipment would reduce usage during periods of high cost. The resulting load reduction would assist in meeting system peak.

The pilot program is a contrast to previous load control programs. Historically, load control programs included payments to participating customers for permitting the utility to interrupt specified electric appliances. With the new program, the financial benefits to the customer come from limiting energy consumption during high cost periods, and from the customer making decisions that reduce overall energy consumption.

Under the pilot program the company was not obligated to pay monthly incentives, but there were costs for necessary equipment and installation, as well as computer program design and implementation. TECO projected costs of \$1,700,000 for 24 months of operation. Actual costs would be the result of customer acceptance and response, and duration of the pilot project would depend on consistency of normal winter and summer weather patterns. Through December 31, 2005, actual program expenses were reported to be \$1,139,860.

In its petition, TECO reports that evaluation of the pilot program results is ongoing. Based on indications from preliminary assessments, the program is beneficial and should be converted to permanent status as a component of the company's DSM plan. Preparation of a petition to request approval of the program on a permanent basis is underway, and supporting data is being assembled. TECO projects that request will be filed before May 1, 2007.

The 24 month authorization for the pilot expired February 1, 2007. Even though TECO expects to file a request to make the load management program permanent, the authorization for the pilot would expire before the permanent program could be authorized. A temporary shut down of the program in early 2007 would serve no useful purpose and would send inappropriate signals to participants. Therefore, we find that the pilot program shall be continued until we

have an opportunity to consider TECO's forthcoming petition. Accordingly, we hereby find that the pilot program extension shall expire no later than August 31, 2007, or upon action by this Commission, whichever is first.

Recovery through Energy Conservation Cost Recovery Clause (ECCR)

Due to the developmental nature of this program, there was very little precedent for the estimates of participation, benefits, and costs that would unfold. Billing implementation did not begin until July 1, 2005. Activities through the end of June, 2005, included vendor selection, training, selection of customer participants, sample installations, programming and billing interfaces. In its ECCR filing for the period January through December, 2005, TECO reported total pilot program expenditures of \$1,139,860.

The initial description of this program included multiple items and activities that would be new to both the utility and the participating customers. Two way communications would include multi-tiered rates and critical price signals from the company. Customers would use this information to program a smart thermostat based on pricing levels. Equipment could be turned on, turned off, or changed to a different temperature setting, either automatically or manually.

TECO describes the selection of participants for this pilot program as a critical step. Inevitably, some participants would be lost over time due to choice or unanticipated events. A valid analysis of the program requires that a sufficient number of customers remain long enough to establish authentic data and implications. Interconnection for all participants was completed prior to December 31, 2005.

The greater portion of program expenditures was associated with the activities during 2005, when the program was initiated. Currently, expenditures consist primarily of the monthly fees paid to an outside vendor who provides data collection and management.

Information related to energy conservation achieved by this program was only available after billing implementation began on July 1, 2005. Even though the second annual cycle of seasonal operations has not ended, TECO advises that the assessment of conservation achieved clearly indicates that the program is cost effective.

Based on the above, we find that, during the limited period of this extension, the prudent expenses for continuing the operation of the pilot program are appropriate for recovery through the Energy Conservation Clause.

Based on the foregoing, it is

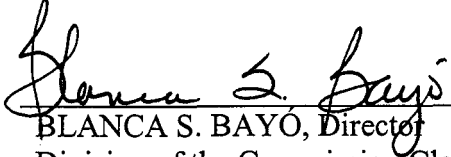
ORDERED by the Florida Public Service Commission that Tampa Electric Company's request for extension of its Residential Price Responsive Load Management Pilot Program is hereby granted, as set forth in the body of this Order, until August 31, 2007, or upon action by the Commission, whichever is first. It is further

ORDERED that Tampa Electric Company's recovery of prudent expenses, associated with the extension, through its Energy Conservation Recovery (ECCR) Clause is hereby granted, as set forth in the body of this Order. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that this docket shall remain open pending Commission action on Tampa Electric Company's application for conversion of the pilot program to a permanent program.

By ORDER of the Florida Public Service Commission this 21st day of February, 2007.



BLANCA S. BAYO, Director
Division of the Commission Clerk
and Administrative Services

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, 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 will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on March 14, 2007.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.